

Holder, L.B. The wage problem.
1934

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THESIS

THE WAGE PROBLEM

Submitted by

Leonard Bryant Holder

(B.S., Mount Allison, 1926)

In partial fulfillment of the requirements
for the degree of
Master of Education

1934

Boston University
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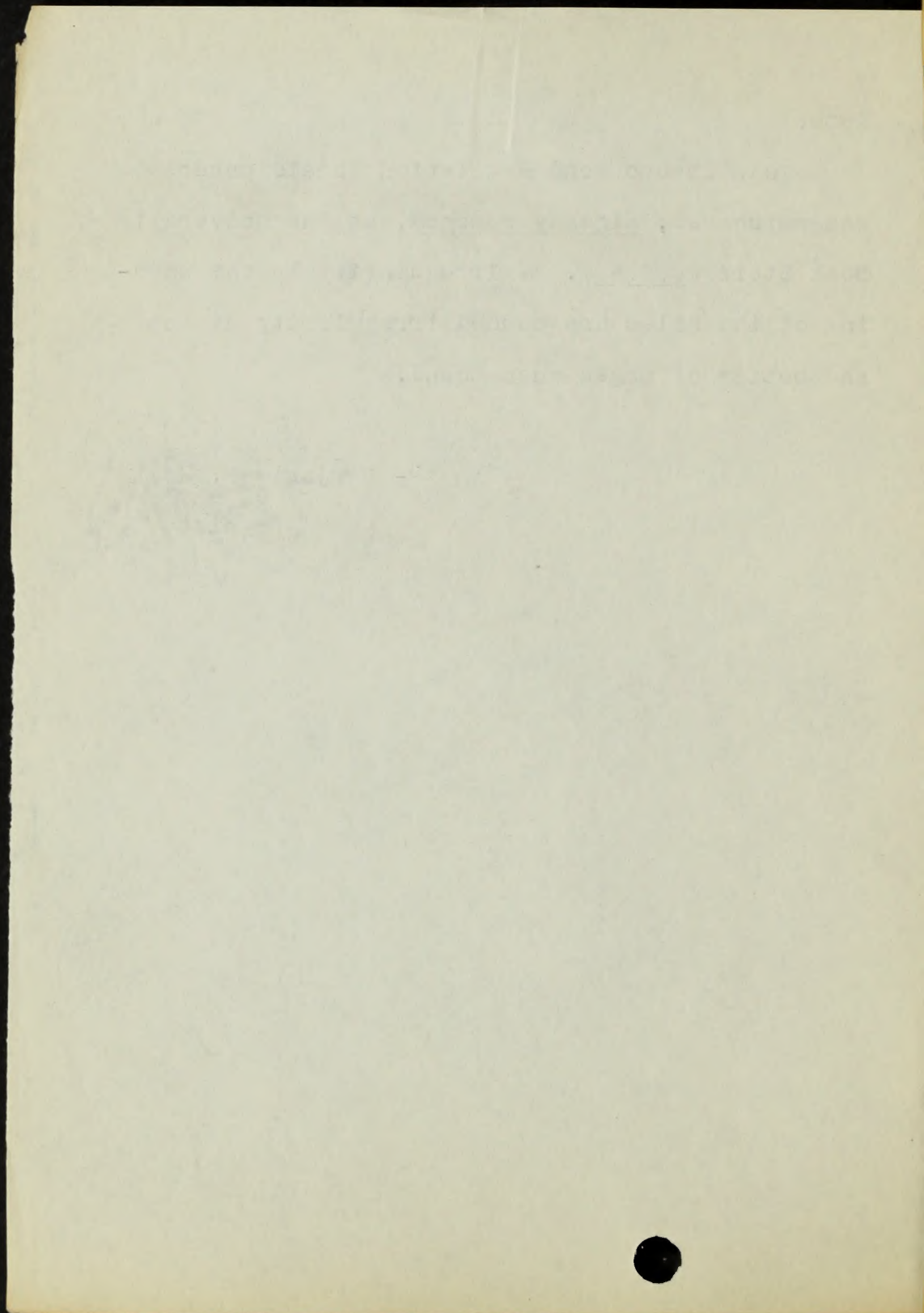


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CHAPTER 1

1. The first part of the chapter discusses the importance of the study and the objectives of the research. It also outlines the scope of the study and the limitations of the research.

2. The second part of the chapter discusses the literature review and the theoretical framework of the study. It also outlines the research methodology and the data collection methods.

3. The third part of the chapter discusses the results of the study and the conclusions drawn from the research. It also outlines the implications of the study and the recommendations for future research.

4. The fourth part of the chapter discusses the summary of the study and the final conclusions. It also outlines the acknowledgments and the references.

5. The fifth part of the chapter discusses the appendix and the supplementary materials. It also outlines the glossary and the index.

6. The sixth part of the chapter discusses the bibliography and the references. It also outlines the list of figures and tables.

7. The seventh part of the chapter discusses the list of figures and tables. It also outlines the list of abbreviations and acronyms.

8. The eighth part of the chapter discusses the list of abbreviations and acronyms. It also outlines the list of symbols and units.

9. The ninth part of the chapter discusses the list of symbols and units. It also outlines the list of mathematical formulas and equations.

10. The tenth part of the chapter discusses the list of mathematical formulas and equations. It also outlines the list of statistical tests and procedures.

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INTRODUCTION

This thesis is an attempt to set before the reader a fundamental current problem involving not only economic conditions of the working masses of past generations, but perhaps immeasurably more, the welfare of every man, woman and child of the present age.

The wage problem as a factor of the modern labor unrest, is one that demands the attention of the working classes, the capitalists and society as a whole. The modern system of remuneration for services rendered is a product of the evolution of industry, and really represents a logical step in the forward trend of society.

This thesis is composed of a series of essays, somewhat closely related, upon a few of the subjects, which, the writer believes, all who are champions of social justice must perpetually keep turning over in their minds, in order that clearer ideas upon them may shape and control their work.

The arguments of protagonists for higher wages have changed as conditions changed. From the demand for a wage which would permit barest existence, requirements have successively been increased. The slogan for a "living wage", a "saving wage", and finally, a "cultural wage" represent the evolution of opinion as to the employer's obligation in the purchasing value of the wage he pays. For a number of years, particularly during and immediately following the World War, the cost of living played a

INTRODUCTION

This book is an attempt to give a general account of the economic situation of the working classes of Great Britain, and to show the influence of the various factors which determine their position.

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prominent part as an important factor in discussions of wage levels and trends, and the principle that wages must advance at least in proportion to increase in living costs was frequently invoked by organized labor. But the relative stabilization of retail prices and other living costs in recent years has robbed this argument of its value for demanding wage increases, and as a result, the emphasis has been placed on the wage earner's share in increased production and on the savings due to large-scale and efficient operation.

This means that the evolution of the wage problem has reached the theory of increased productivity. A high rate of wages expresses a high rate of production, and its converse, a high consuming power. A relatively high consuming power, high standards of living, is required to make the worker efficiently strong in body and in mind. Employers can therefore, under no possibility lose where a permanently high rate of wages rules. They cannot possibly lose even under a rising rate of wages, as a rise in actual wages is only possible with a rise of the productive power of labor.

While some of the material in this thesis has of necessity been gleaned from the current newspaper and periodical press, the writer has, for the most part, depended upon the standard literature on the subject, and upon official governmental reports and similar documents. Liberal use has been made of the exhaustive reports on workers' incomes: Statistics of Income, U.S. Bureau of Labor. The "National Income", published by the Bureau of Foreign and Domestic Commerce, has also been a valuable source of

information.

For the sake of simplicity and concreteness, the material has been centered around the problem of hours and wages, and a long-time view of improvements purposely presented, in order to give the idea of changes and trends in industrial society and public opinion.

Introduction

The first part of this study is devoted to a general survey of the situation in the field of international law, and to a brief history of the development of the subject. The second part is devoted to a study of the various theories of international law, and to a comparison of the different schools of thought. The third part is devoted to a study of the various sources of international law, and to a comparison of the different theories of the sources of international law. The fourth part is devoted to a study of the various subjects of international law, and to a comparison of the different theories of the subjects of international law. The fifth part is devoted to a study of the various principles of international law, and to a comparison of the different theories of the principles of international law. The sixth part is devoted to a study of the various rules of international law, and to a comparison of the different theories of the rules of international law. The seventh part is devoted to a study of the various institutions of international law, and to a comparison of the different theories of the institutions of international law. The eighth part is devoted to a study of the various problems of international law, and to a comparison of the different theories of the problems of international law. The ninth part is devoted to a study of the various theories of international law, and to a comparison of the different theories of the theories of international law. The tenth part is devoted to a study of the various schools of thought in international law, and to a comparison of the different schools of thought in international law. The eleventh part is devoted to a study of the various methods of international law, and to a comparison of the different methods of international law. The twelfth part is devoted to a study of the various theories of international law, and to a comparison of the different theories of the theories of international law. The thirteenth part is devoted to a study of the various schools of thought in international law, and to a comparison of the different schools of thought in international law. The fourteenth part is devoted to a study of the various methods of international law, and to a comparison of the different methods of international law. The fifteenth part is devoted to a study of the various theories of international law, and to a comparison of the different theories of the theories of international law. The sixteenth part is devoted to a study of the various schools of thought in international law, and to a comparison of the different schools of thought in international law. The seventeenth part is devoted to a study of the various methods of international law, and to a comparison of the different methods of international law. The eighteenth part is devoted to a study of the various theories of international law, and to a comparison of the different theories of the theories of international law. The nineteenth part is devoted to a study of the various schools of thought in international law, and to a comparison of the different schools of thought in international law. The twentieth part is devoted to a study of the various methods of international law, and to a comparison of the different methods of international law.

Conclusion

PART I

HISTORIC BACKGROUND OF THE WAGE EARNER

The first laboring classes recorded by history were composed of slaves. In the early hunter period, the savage warrior slew his vanquished enemy. Later on, when agricultural exploitation became common, the urge for cheap labor induced the victors to take the enemy alive and enslave them. It seems that slavery was an inevitable accompaniment of this stage of the social movement. The legal position of the Roman slaves and their lords was worked out by the lawyers of Rome more completely than by other peoples. In the view of the Roman Jurists, the status of the slave was based upon capture in battle. According to the law of war developed by philosophical lawyers, the right to kill the defeated enemy was part of the law of nations common to all peoples. It was consequently urged that to spare the defeated enemy by saving his life and using it, was both just and merciful.

Slaves were not merely engaged in manual or menial employment. They were the craftsmen, the musicians, the commercial men of Rome. Their duties were the most diverse. Banking, which flourished in Rome, was carried on almost entirely under the supervision of slaves. Many of the duties which now fall to the higher division of the Civil Service were carried out by slaves. Doctors, philosophers, grammarians, schoolmasters, land agents -- these were some of the professions in which slaves were engaged. As in Rome, so in early England, the distinction between free and unfree in no way corresponded to the modern division into the leisured and laboring classes. Many slaves had very light duties, while

THE FIRST CHAPTER

The first chapter of the book is devoted to a general survey of the history of the Negro in America. It begins with a description of the Negro as he appeared to the white man in the early days of the settlement of the continent. It then traces the progress of the Negro from a savage to a slave, from a slave to a free man, and from a free man to a citizen. It shows how the Negro has been treated by the white man, and how he has responded to that treatment. It also shows how the Negro has contributed to the development of the American people and the American nation. The chapter is written in a clear and concise style, and it is well illustrated with facts and figures. It is a valuable work for anyone who is interested in the history of the Negro in America.

many free men labored incessantly. As a contrast, the slave of the Saxon period was engaged in the lowest forms of labor.

When people became less warlike and the supply of slaves scarce, the system gradually softened into serfdom. In that period of history, agriculture was not merely the main, it was almost the sole form of industry. Trade was extremely small and was limited to comparatively few places. The ordinary bartering of the countryside was done exclusively at fairs and markets or by chapmen. As Gilbert Stone points out -- "The class of shopkeepers did not arise for many centuries, those who sold being also those who made."¹ The state of society was simple, and the vast majority of what we should call the working classes were laborers in husbandry. Society, as it became more stable, was composed of two main divisions: the lord and the tenant; the tenants being sometimes free, but usually unfree. The unfree tended more and more to become identified with the serf. Slavery, in the strict sense, early died out; serfdom lasted until comparatively recent times. It became the interest of each family to preserve indefinitely its own supply of hereditary serfs, and they became attached to the land of their masters. As a rule these early serfs could be sold with the land, but not separately from it. They were not capable of acquiring property. All but their daily maintenance went to their masters. Adam Smith says of their condition, "A person who can acquire no property can have no other interest but to eat as much and labor as little as possible."²

The serf, villein, naif (or native), may be regarded as

1. Gilbert Stone - History of Labor, Chapt. 1, p. 34

2. Adam Smith - Wealth of Nations, Vol. 1, Bk. 3, Chapt. 2, p. 391

interchangeable terms and were all the products of feudalism. In the early part of the feudal period, the lord had no need to hire labor. Toward the end of the period, in consequence of the ever changing economic world, the hiring of labor became more and more frequent, until at last, the hired laborer took the place of the tenant or bond-laborer.

From the 12th century onward, the serf was, of necessity, a dying class. The rise of centralized government, the increasing rarity of internecine warfare, the increasing sense of racial similarity, all conduced to the closing of those avenues along which the free man passed to become bond. In England, it would seem that by the 13th century, a feeling was growing against serfdom.

The serf system gradually evolved into a species of tenancy in which the farmer cultivated the land with his own stock and paid a certain rent to the landlord. This condition was found in England prior to the middle of the 16th century. The masses of people devoted themselves to agriculture, making a bare living for themselves. They made their own clothes and provided most of their other needs by the products of their own labor. Their primitive industry was known as the handicraft system. It was carried on by skilled artisans, who fashioned their products by hand without complicated machinery.

DEVELOPMENT FROM HANDICRAFT SYSTEM TO THE DOMESTIC SYSTEM

After the discovery of America, quantities of gold were brought over and came into circulation of money. A taste for oriental wares was starting a commerce with the East. The "Black

Death" in 1348, swept off a large proportion of the population. This caused a scarcity of labor, which made it more profitable for the landlords to turn their manors into sheep ranches. Since this requires very little labor, most of the tenants were forced from the farms into the towns. The presence of this laboring class was instrumental in developing the Domestic System. An employer class sprang up who hired others to do weaving and other simple industrial processes. The general industrial system by which this control was exercised has been called the "Domestic System", because the workmen were generally able to pursue their craft in their homes.

Now in the early development of the craft industry, there were two types of craft workers: wage-workers and craft-workers. The distinction turns upon the mode of payment for the work. If the raw material is owned by the consumer, the craftsman is really employed by him to perform a certain amount of skilled labor for a wage. The craftsman does not make any article to be sold in the market; he merely sells his services and is thus a wage earner. On the other hand, if the raw material is owned by the craftsman, he must produce wares to be sold in the market wherein he can secure a return for his labor only through the price of the finished product.

Before the time of capitalistic contractors, the building trades were primarily concerned with the performance of certain skilled services for the benefit of the consumer, who in turn found it most convenient to furnish the raw material. In other crafts, the raw materials were such that they could most suitably be procured by the craftsman himself. The textile workers were likely to secure their own raw materials.

It was evident that such a process of production was bound to disintegrate by means of the development of craft differentiation. Thus, in the textile trades, each phase of the transformation of the primary raw material becomes the basis of a separate craft. A considerable division of labor might thus develop without breaking down the independence of the craftsman. Thus we ultimately find distinct crafts of wool-combers, weavers, fullers, dyers and drapers.

The transition from the craft system into the domestic system is featured by the capitalistic control of industry. The formation of a considerable group of crafts in a single industry brought with it certain technical advantages from specialization of skill, but these were far outweighed by the economic disadvantages as long as crafts remained entirely independent. The successive buying and selling of partly finished products were sheer waste of energy. Moreover, there was no possibility of supervision over the process of production. These disadvantages could be overcome if someone bought the primary raw material at the outset and then hired the various craftsmen to perform their craft-work for wages. A capitalistic employer of this type was necessary to prevent specialization from degenerating into disorder.

Under the domestic or putting out system, a manager generally with the required capital, gave out work to employees who did not live under his roof, and who performed their labor in their own homes. Sometimes the employees furnished both the raw material and the tools; but more frequently either the material or the tools, or both, were provided by the employer. Under the commonest arrangement, the employer furnished both, and the

to the extent that such a process of production was

based on the principle of the separation of capital and

labor. In the early stages, the process of the

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employee, after paying a rental for the tools, received a piece-wage, i.e. a wage gauged by the volume of his output. The new system was promoted by the expansion of markets, the development of trade technique, and the growth of population. But its principal stimulus lay in the increase of capital and the rise of a new class of industrial promoters. The new type of employer was primarily a merchant. He gave his attention to purchase and sales on a considerable scale, and neither worked with his own hands nor spent time in the supervision of manufacture save as was necessary to enforce fulfillment of contracts.

ADVANTAGES AND DISADVANTAGES

To the mass of the common people the spread of the domestic system brought distinct advantages. Especially was it helpful to agricultural tenants, most of whom in the 16th and 17th centuries, found it difficult or quite impossible to support their families solely from the product of their bits of land. "In the woolen industry, in nail-making, in soap-boiling, in pottery manufacturing and in numerous other crafts, these persons found opportunity to augment their means of livelihood without abandoning the soil or altering in any way their social or economic status."¹

The wage earners lived more or less in the country, and were not crowded together in stifling alleys and courts. Even if the artisan did live in a town at that time, the town was very different from the abodes of smoke and dirt which later prevailed in the industrial districts. Work was carried on by the artisan

1. Fred Austin Ogg - Economic Development of Modern Europe,
Chapt. 3, p. 61

in his little store or brick house with the workshop inside, where the wool for the weft was carded and spun by his wife and daughter, and the cloth was woven by himself and his sons.

It must not be forgotten that the domestic system had its darker side. The worker was not independent. He frequently did not own the tools which he used; he rarely owned the raw material, and he was obliged to accept such wages and labor on such conditions as the employer was willing to offer. Occasionally he became indebted to his employer and on that account was subjected to extraordinary restraints. In later times, the employers were often represented in their dealings with the employees by factors which meant personal contact between capital and labor largely disappeared. There was introduced widely, too, the truck system, under which work was paid for, wholly or in part, in products rather than money. Competition grew keen and sometimes ruinous, and not infrequently workingmen were compelled to give up their lands because of inability to find time in which to cultivate them. Child labor was a source of grave abuse, and one of the most serious problems of the modern labor world, that of sweating, was a direct and natural product of the system.

It is evident that, with the advent of the employer class who hired others to do weaving and other simple industrial processes for them, the beginning of the present wage system found germ. With the invention of machinery and its application, toward the latter part of the 18th century, came the Industrial Revolution, and the old handicraft and domestic systems gave rise to rapid industrial development.

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DEFINITION OF WAGES

All authorities are unanimous in agreeing that, in the beginning, the domestic system as a whole was advantageous, not only to the laborer, but to industry and consumer as well. But aside from the evils of unemployment, the present industrial system is far from perfect, and the wage phase of it is criticized as the root of the evil. Whatever the explanation, there is no doubt that industry is becoming more highly capitalized as time passes, making it increasingly difficult for men to acquire industrial independence. The worker is thus forced to consider himself permanently within a class, whose only hope for social betterment seems to be in haggling over wages. From this frustration of opportunity, coupled with poverty and privation, comes the concentration of labor unrest around the wage system. Order and industrial harmony cannot be expected in a civilization which leaves from 20 to 40 per cent of the industrial population in a state of sheer destitution, and which concentrates, as in Great Britain, two-thirds of the total wealth into one-seventh of the population. "The figures in the United States, seemingly the haven of high wages, are even more significant. Conservative writers estimated that in the year 1928, 79 per cent of the wealth of the entire country was in the hands of 10 percent of the population."¹ No sane person can claim an approximity of perfection for a system that has large masses of the working population permanently idle. An investigation of the Metropolitan Life Insurance Company gives the number of unemployed in New York City

1. Senator Wm. E. Borah - Interview, see Boston Evening American, June 27, 1934

All societies are unanimous in agreeing that, in the beginning, the domestic system as a whole was advantageous, not only to the laborer, but to the employer and consumer as well. But aside from the evils of unemployment, the present industrial system is far from perfect, and the wage phase of it is especially on the side of the evil. However, the explanation, to be as sound as that industry is becoming more highly capitalized and the process, which is increasingly difficult for men to handle in human independence. The worker is thus forced to consider himself permanently with a class, whose only hope for social betterment seems to be in holding over wages. This is the result of opportunity, as paid with poverty and privation, and the concentration of labor must also be the result. Labor and industrial harmony cannot be expected in a civilization which leaves from 10 to 40 per cent of the unskilled population in a state of utter starvation, and which concentrates, as in France, Britain, and Russia, at the total wealth the ownership of the population. The figures in the United States, Germany, and Russia at high wages, are even more significant. Domesticative efforts indicated that in the year 1900, 10 per cent of the wealth of the entire country was in the hands of 10 percent of the population. No sane person can claim an approximation of perfection for a system that has large masses of the working population permanently idle. An investigation of the conditions in the United States recently given the number of unemployed in New York City

during the winter of 1914-1915, as 442,000 persons. During one month of 1905, according to the United States census of manufacturers, the number of unemployed throughout the nation was 7,017,138. Leaving out of the discussion the effect of severe depressions -- how can industrial efficiency reach its highest state when the opposing interests are so keen that "the great mass who produce take pains to lower their own efficiency?"

The attitude of labor is constantly changing; it is no longer satisfied with a living wage, but sees on the horizon a share in prosperity and a voice in the control of industry. With this changing attitude of the laboring masses, it is inevitable that the system must "change or break". If the experiment of Russia is to be prevented, if the system is to be remodeled into a better working institution, it will be through knowledge of all the factors of the industrial system. Thus, the wage problem, considered the most important factor, is one that concerns us all.

It is difficult to define wages accurately. "The greater part of people understand better what is meant by a quantity of a part commodity than by a quantity of labor; the one is a plain palpable object, the other an abstract notion, which though it can be made sufficiently intelligible, is not altogether so natural and obvious."¹ "It is necessary to include under labor quantity, not only work accomplished, but all the feeling of a disagreeable kind, all the bodily inconveniences of mental annoyances of one's thoughts, or muscles, or both, in a particular occupation."² Thus, the salaries of executives, the commissions of salesmen, the

1. Adam Smith - Wealth of Nations, Bk. I, Chapt. V, p. 32

2. John Stuart Mill - Principles of Political Economy, Bk. I, Chapt. 1, p. 15

fees of professional men and some of the profits of the independent enterprises, would be classified with wages.

The most obvious method is to compute the rate for time wages directly from the amount earned by the week, day or hour; for task wages from the amount of money given per piece. It is evident that before making a comparison of wages, the various forms of wage payments must be reduced to a common basis. A direct comparison of the price per hour to a bricklayer, to the daily wage of a street car conductor is of little value. At first glance, it would seem that the bricklayer is receiving the higher wage, but in almost every case, there is some combination of returns, which has to be considered before making a comparison. The street-car conductor may have received, along with his steady wage, his board or a bonus. The number of days in the year that the bricklayer has opportunity for work at his trade must also be taken into account. Thus it is often found that a high daily wage is really less than a lower daily wage. Unfortunately, the American laborer has not the foresight to discount wages which are often high but uncertain. Furthermore, he naturally considers wages high or low, in respect to the pecuniary or nominal amount. It is, however, necessary to make allowance for the difference in the purchasing power of money in comparing the wages of different communities. The amount of money that a wage earner receives is, after all, only a means to an end. "The laborer is rich or poor, is well or ill rewarded in proportion to the real, not to the nominal price of labor."¹ His real wage is high or low with respect to the quantity of food, clothing and shelter and other necessities which it

1. Adam Smith - Wealth of Nations, Bk. I, Chapt. 5, p. 35

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or will be content in proportion to the real, not to the nominal price
of labor. The real wage is high or low with respect to the quan-
tity of food, clothing and shelter and other necessities which it

enables him to acquire. What is to follow will be a consideration of the causes governing the average yearly, real income, rather than the nominal daily or weekly amount.

Having thus reached a working definition of wages, a systematic treatment next calls for the causes which determine the rate. There have been in the past history of economics, three chief theories of wages. The oldest of these has been called "The Iron Law of Wages." It regarded the laborer as a mere instrument of production and labor as a commodity, bought and sold on the market. Under free competition, it was claimed, the price any commodity would bring on the market was its cost of production. The cost of a machine as an instrument of production may be split into two parts: (1) the cost of fuel it consumes and (2) the sum which must be set aside to replace it when worn out. In the same way, in the case of labor, the cost of production was thought to be divided into two parts: (1) the food, shelter and clothing, etc. necessary for the working man, and (2) the amount of money necessary to replace him when he is no longer able to work, that is, the cost of rearing a child from infancy to the working age. Hence, it was argued that wages were reduced to the bare working age minimum necessary for subsistence and the support of a family. This was a gloomy theory for the working classes, for it was rigidly prescribed by economic laws, that wages must hover around the subsistence level regardless of Trade Unions and social reformers. The condition which the theory implies is thus stated by the author of National Guilds. "To give it any parity with copper or timber, is to reduce it to a chattel, in practice

though not in form to chattle slavery."¹ To the laborer, life must mean more than a mere instrument of production; it must mean personality, and freedom for social, intellectual and cultural betterment. But apart from the ethical standpoint, statistics prove the theory to be wrong. In the first place, it does not explain the difference of wages in the different trades; and secondly, the rise in wages in the last century would have been impossible if the Iron Law held true.

Let the reader glance at wages and the working of this law, say during the latter part of the 16th century. If he glances at the money value of most articles, he will see that, with very few exceptions, it keeps steadily increasing during each successive decade. This is not true of course with regard to wheat and other grains, for the money value of this produce is affected in each decade by the occasion of years of special scarcity and plenty. In fact, the prices of wheat in the 16th century were remarkable for their fluctuations from decade to decade. Up to the year 1540, the average wages of an artisan in the country were three shillings a week. "The laborer, in harvest time, when working by the day, received the same wages as the artisan. And in harvest time, the wages of the women laborers were only a little less than those of the men."²

The ruthlessness of the prevailing "Iron Law of Wages" may be illustrated as follows: by act of Henry VII, the "Statute of Laborers", a minimum rate of wages for artisans and farm laborers was prescribed. Soon after, the wages of artisans were raised to

1. Adam Smith - Wealth of Nations, Bk. I, Chapt. 8, p. 72

2. J. Edwin T. Rogers, M.P. - Six Centuries of Work and Wages, Chapt. 14, p. 389

four shillings a week, even in the winter months. The provisions of this famous act were often carried out by the county magistrates in a dull, listless, and much neglected manner. Throughout the following centuries, the rise in wages behind the rise in living costs was very laggard. It would seem even to the callous investigator that, from about 1560 to 1824, a conspiracy, concocted by the law and carried out by parties interested in its success, was entered into, to cheat the English workman of his wages, to tie him to the soil, to deprive him of hope, and to degrade him into irremediable poverty. For more than two centuries and a half, the English law and its minions were engaged in grinding the workman down to the lowest pittance. Discontent was rampant, but any move leading to organized discontent was ruthlessly stamped out by multiplying penalties upon him when he thought of his natural rights.

PRODUCTIVITY OF LABOR THEORY

The second theory of wages, commonly known as the Productivity of Labor Theory, is a development of Adam Smith's introductory statement, that the productivity of labor constituted the natural recompense of labor. This theory regards labor, not as a commodity bought and sold on the market, but rather as an instrument of production. The economic fact lying at the base of this theory, is that high wages do not necessarily mean high labor costs. Indeed, due to the superior efficiency of high priced labor, it probably costs the employer less than low priced labor. A machine that will save \$10,000 in wages will be worth somewhere

from selling a week, even in the winter months. The provision
 of this house was often carried out by the monthly wages.
 There is a small, finished, and much neglected manner. Through-
 out the following centuries, the rise in wages during the rise in
 living costs was very rapid. It would have been even in the common
 interest of the state, from about 1850 to 1880, a consequence, however,
 led by the law and carried out by parties interested in the law.
 was entered into, to which the 1840/50 written by the wages,
 to the rise in the cost, to decide that it was, and to bring it
 into international poverty. For more than two centuries and a half,
 the English law and the unions were engaged in a struggle. The work-
 man down to the lowest position. The law was not changed, but any
 law leading to a more advanced position was necessarily altered and by
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 A capitalist that will save \$10,000 in wages will be rich whatever

in the vicinity of \$10,000. The theory claims that this also holds good for labor and that the amount produced by increased efficiency goes to the laborer. The laborer, therefore, would receive in wages, all that remained of the total product, after the other parties to production had received their share. This share, viz., rent, interest and profits, it was claimed, is fixed in amount and the laborer is a sort of residuary legatee. Although this theory offers an explanation as to why wages differ in different industries, it fails to explain the effect of the supply of labor on wages. If laborers are plentiful, wages fall even though their productiveness may remain the same.

WAGES FUND THEORY

The Wages Fund Theory was generally believed and accepted as final or immutable during the larger part of the last century. The germ of this celebrated theory is to be found in a statement by Adam Smith: "the demand for those who live for wages, it is evident, cannot increase but in proportion to the increase of funds which are destined to the payment of wages."¹ This theory was elaborated to a great extent by J.S. Mills and others. They regarded it as a complete solution to the problem, as an explanation of wage differences and as a criticism to the popular remedies for low wages. Wages, according to this theory, depend at any moment on the size of the fund, unconditionally appropriated to the payment of wages and the number of laborers in the country. It presupposes a determinate wages fund, distributed

1. Adam Smith - Wealth of Nations, Bk. I, Chapt. 8, p. 72

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WAGES AND THE THEORY

The wages fund theory was generally believed and accepted
 as final or authoritative during the latter part of the last century.
 The parts of this so-called theory is to be found in a statement
 by Adam Smith: "the demand for labor and the supply of it is
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 claims that the demand for labor is constant, and that the supply
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 sults for low wages. Wages, according to this theory, depend
 on the number of laborers in the land, and not on the size of the
 land. It presupposes a distribution of wages, and a distribution
 of the product of labor and the number of laborers in the
 country. It presupposes a distribution of wages, and a distribution

solely by means of competition among a determinate number of laborers, who must work independent of the rate of wages. Thus the average rate of wages would be equal to the fund divided by the number of laborers. Production takes time, and the laborer must live while awaiting the product of his labor. What he lives on is largely the accumulated stores of past production. The amount of the wages fund, it was held, is absolutely predetermined dependent on the extent of the savings in the past, and how much of these savings went to plant and machinery, and how much to labor. No branch of labor, therefore, could raise their wages without injury to others, for their raise would be accompanied by a corresponding fall in another quarter. Even if the general rate in wages was raised it was claimed that the raise could only be temporary, for it would reduce profits and cause capital to leave industries. This would mean a decreased demand for labor which would lead to a lowering of wages. The only way in which they could conceive to raise wages was by increasing the accumulation of capital as compared to population, or to retard the growth of population as compared to the growth of capital. Now this was important, according to the Malthusian theory, because a raise in wages meant an increase in population, through earlier marriages and increased birth rate, which in turn lowered wages. Similarly, a diminished wage led to a smaller birth rate and scarcity of labor which in turn brought about a rise in wages.

"The supply of labor is not, however, merely a matter of the number of available laborers. The physical strength and vigor, industry, interest and intelligence, ingenuity, and moral qualities of the laboring population determine the amount and kinds of labor

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 the average rate of wages would be equal to the total output of
 the number of laborers. The number of laborers, and the number
 of laborers while working, are both of them labor. The laborer
 as is largely the accumulated labor of past generations. The a-
 mount of the wages fund, it may be said, is essentially determined
 by the extent of the saving in the past, and not much
 of these savings went to plant and machinery, and now much to la-
 bor. We obtain at least, therefore, a laborer's share of wages with-
 out injury to others, for those who would be accompanied by a
 corresponding fall in interest payments. Even if the general rate
 of wages was raised it was raised and the rate would fall. The
 laborer, for he would receive profits and cannot afford to leave
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 bor which in turn brought about a rise in wages.
 "The theory of labor is not, however, merely a matter of
 the market of available laborers. The physical attributes and vigor,
 industry, interest and intelligence, energy, and moral qualities
 of the laboring population determine the amount and value of labor

they can do. These things vary greatly as between different races and as between different individuals of the same race. They are not wholly determined by heredity, for they can be influenced greatly by the physical and social environment. So far as high wages mean more and better food, and improvement of the other conditions of living, they tend to increase physical and mental efficiency, and thus to increase the quantity and better the quality of labor that can be obtained from a given population. There may often be, even when we take only production into account, a real economy in high wages. Public education and public insistence upon pure foods, upon hygienic conditions in homes and in factories, and upon opportunities for wholesome recreation tend to increase the efficiency of labor."¹

As a result of the belief in this theory, public opinion, from 1855 to 1875, was resolutely opposed to any action to raise wages in any trade, because of its futility and reverse action on other trades. The theory may be regarded as a good approximation of the truth in the whole range of employments in which labor is employed in perishable services. For example, take the case of a man hiring domestic servants. The amount that he has laid aside for this purpose is fixed. If the supply of labor is great, he may hire more servants, but will pay them a smaller rate. If the supply is limited he will have to pay a higher rate and consequently will be forced to hire fewer servants. If, in spite of the high wages, he keeps his regular staff, the wages fund will be unduly drawn upon, which will mean less for the servants later on.

1. Richard T. Ely - Outline of Economics, Chapt. 26, p. 423

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As a result of the belief in this theory, public opinion,
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other classes. The theory may be regarded as a good hypothesis
of the truth in the whole range of movements in which labor is
employed in profitable services. For example, take the case of a
man doing domestic services. The argument that he has this right
for this purpose is fixed. If the supply of labor is great, as
any other labor movement, but will pay him a smaller rate. If the
supply is limited he will have to pay a higher rate and consequently
it will be forced to raise these movements. If, in spite of the high
wages, he keeps his regular habit, the wages that will be usually
given again, which will mean less for the servants' labor on.

But the people employed in such occupations are too limited for consideration in a general theory. The vast majority of laborers are engaged in productive material utilities, and in their case the "Wages Fund Theory" is wrong in many of its fundamental assumptions.

According to Stuart Wood: "The authors of this theory must have known that a portion of capital is used in other ways than in paying wages, and they ought to have asked how much this is and what causes determine its amount, for these are the ultimate causes of wages. And yet, they never seem to suspect that the very object of their inquiry, the price of labor, is itself among these causes. And not only did they fail to ask how much capital is set aside for use as instruments and materials; most of them neglected even to ask how frequently the wages fund was divided among its recipients; a thing which is just as important as its amount, seeing that a sum which is distributed every six months yields just twice as much as an equal sum distributed once a year."¹

Wages are not paid from a preexisting fund but from what is being constantly produced. History shows this to be the case; that capital may increase rapidly without wages rising in proportion. Such was the case in England after the great mechanical improvements, at the end of the 18th century, up to the repeal of the Corn Laws. Such was the case in America during the post-war decade of inflation leading up to the collapse in 1929. Again, after a commercial crisis, there is an abundance of capital as shown by the low rate of interest, and yet wages are low. Of course the outstanding example of massed capital and comparatively low wages is only a short decade

1. Stuart Wood - A Critique of Wage Theories, Annals of the American Academy, p. 451

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Such was the case in America during the post-war decade of inflation
leading up to the outbreak of 1863. Again, after a period of
deflation, there is an abundance of capital as shown by the low rate of
interest, and yet wages are low. Of course the distribution of
of saved capital and comparatively low wages is only a short season

away, prior to the great depression which we are embattling at the present time. In this country, during the period 1922-1929, great pyramids of capital were thrown into production from all the capitalistic countries, with the result that plant equipment, sales technique, productive expansion, etc. threw such an avalanche of goods of all kinds upon the market that a relatively impoverished consuming public could not buy in sufficient quantities, resulting to a marked degree, in the great debacle.

Other objections to the Wage Fund Theory are: (1) The share of the product that we call profits is not fixed, but flexible. (2) A rise in wages may not diminish profits if accompanied by a rise in efficiency and productivity. (3) Wages do not always rise and fall with an increase and decrease in population. The case of Ireland, after the potato famine, affords an instance of a rapidly declining population, without any corresponding rise in wages. Also in new countries, we find a very rapid increase in population, accompanied by an increase in wages.

Wages which include all returns received from labor, not only vary with the differing powers of individuals, but, as the organization of a society becomes elaborate, vary largely as between occupations. Nevertheless, there is a certain general relation between all wages, so that we express a clear and well understood idea when we say that wages are higher or lower in one time or place than in another. In their degrees, wages rise and fall in obedience to a common law, viz., that men seek to gratify their desires with the least exertion. Suppose we had a primitive society in which wages are the compensation paid for labor. What will be the terms at which one man can hire others to work for him?

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Other objections to the Marx Law Theory are: (1) The theory
 of the theory that we call the law is not fixed, but variable.
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 society in which wages are the compensation paid for labor. That
 will be the same at which and men can give others in work for him

Evidently, they will be fixed by what the men could make if laboring for themselves. The principle which will prevent the employer from having to give anything above this, except what is necessary to induce the change, will also prevent them from getting employment. Did he offer less, none would accept the terms, as they could obtain greater results by working for themselves. Thus, although the employer wishes to pay as little as possible, and the employee to receive as much as possible, wages will be fixed by the value of product of such labor to the laborers themselves. If wages are temporarily carried either above or below this line, a tendency to carry them back at once arises.

But the result on the earnings of labor, as is readily seen in those primary and fundamental occupations in which labor first engages, and which, even in the most highly developed condition of society, still form the basis of production, does not depend merely upon the intensity or quality of the labor itself. Now fundamentally, wealth is the product of two basic factors: land and labor; and what a given amount of labor will yield will vary with the powers of the natural opportunities to which that form of energy is applied. Now if this is the case, the principle that men seek to gratify their desires with the least exertion, will fix wages at the produce of such labor, at the point of highest natural productiveness open to it. Now following out the general law: if men impelled by this supreme law of the human mind, viz., to seek satisfaction of their desires with the least exertion, will not expend energy at a lower point of productiveness while a higher one is open to them. Thus the wages which an employer must pay will be measured by the lowest point of natural productiveness to

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...wages as the product of each labor, at the point of highest...
...productiveness open to it. The following will be the result: It...
...is not implied by this sentence that the human mind, viz., the...
...free satisfaction of their desires with the least exertion, will...
...not depend entirely at a lower point of productivity while a high...
...one is open to him. From the wages which are paid, what can...
...will be measured by the lowest point of natural productivity...

which production extends, and wages will rise or fall as that point rises or falls. Here, then, we have the law of wages as a deduction from a principle most obvious. That wages depend upon the margin of production -- that they will be greater or less as the produce which labor can obtain from the highest natural opportunities open to it is greater or less, flows from the principle that men seek to satisfy their wants with the least exertion, or by the best methods known.

Henry George says: "The effect of all circumstances which give rise to a difference between wages in different occupations may be included as supply and demand, and it is perfectly correct to say that the wages in different occupations will vary relatively according to the difference in supply and demand of labor -- meaning by demand, the call which the community as a whole makes for services of the particular kind; and by supply, the relative amount of labor which, under the existing conditions, can be detailed to the performance of those particular services. But though this is true as to the relative difference of wages, when it is said, as is commonly said, that the general rate of wages is determined by supply and demand, the words are meaningless. For supply and demand are but relative terms. The supply of labor can only mean labor offered in exchange for labor or the products of labor, and the demand for labor can only mean labor or the production of labor offered in exchange for labor. Supply is thus demand, and demand supply, and, in the whole community, one must be co-extensive with the other. What conceals the absurdity of speaking generally of supply and demand in reference to labor is the habit of considering the demand for labor as springing from

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supply is co-extensive with the demand. What we mean by the community
of speaking generally of supply and demand in reference to labor
is the ratio of considering the demand for labor as extending from

capital as something distinct from labor; but the analysis to which this idea has been heretofore subjected has sufficiently shown its fallacy. It is indeed evident from the mere statement, that wages can never permanently exceed the productivity of labor, and hence that there is no fund from which wages can for any time be drawn, save that which labor constantly creates."¹

John Stuart Mill says in regard to attempts to raise wages and the efficiency of the law of "Supply and Demand": "They (the trade unions) might doubtless succeed in diminishing the hours of labor, and obtain the same wages for less work. But if they aimed at obtaining actually higher wages than the rate fixed by demand and supply -- the rate which distributed the whole circulating capital of the country among the entire working population -- this could only be accomplished by keeping a part of their number permanently out of employment. As support from public charity would of course be refused to those who could get work and would not accept it, they would be thrown for support upon the trade unions of which they would be members, and the working people collectively would be no better off than before, having to support the same numbers out of the same aggregate of wages. In this way, however, the class would have its attention forcibly drawn to the fact of a superfluity of numbers, and to the necessity, if they would have higher wages, of proportioning the supply of labor to the demand."²

In justice to Mill, it should be recorded that, under the friendly though irrefutable criticisms of his contemporaries, Longe

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1. Henry George - Progress and Poverty, Bk. 3, Chapt. 6, p. 188
 2. John Stuart Mill - Political Economy, Bk. 5, Chapt. 10, p. 5

capital as something distinct from labor; but the analysis so
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 not succeed in, they would be thrown for support upon the state in-
 stead of which they would be supported, and the working people's distress
 itself would be no better off than before, having no support but
 some number out of the new aggregate of wages. In this way, how-
 ever, the state would have the attention forcibly drawn to the fact
 of a scarcity of labor, and to the necessity, if they would
 have higher wages, of proportionately the supply of labor to the de-
 mand."
 In regard to this, it should be recalled that, under the
 present system, the efficiency of his contribution, though

and Thornton, he magnanimously abandoned in full the "Wages Fund" doctrine before his death.

The Wages Fund doctrine is stated briefly and boldly; its foundation in the nature of civil productivity is hardly noticed; its teaching is aimed chiefly at the need of repressing numbers. Its application in other directions is cumbered and confused by references to funds and capital in terms of money, which obscure the essential truths of the wage question in general, and became the source of the memorable controversy which resulted in Mill's recantation.

MARX'S THEORY OF SURPLUS VALUE

The Marxian theory of value begins with a dogma - that, whatever may be the measure of prices, one thing alone - human labor - is capable of creating value. The productive powers of Society consist of two elements only: men, and the things which are at men's disposal. Prices are, in the Marxian system, merely the methods of distributing value, which comes into being quite apart from them, as a consequence of the labor process. According to G. D. H. Cole: "In Marx's writings, value came to mean what commodities were really worth in consequence of the amounts of labor incorporated in them, as something quite distinct from the prices which they actually fetched, or tended to fetch in the market."¹

Marx held that things at men's disposal as a part of productive powers, consisted in part of natural objects, existing independently of men's minds and wills, and in part, things which

1. G. D. H. Cole - What Marx Really Meant, Chapt. 7, p. 210

and, therefore, he is automatically abandoned to fall the "same way".
Described before his death.

The same fact becomes a stated priority and holds the
formation in the nature of civil productivity is hardly noticed.
Its meaning is almost entirely at the end of reasoning process.
The application in other directions is suggested and explained by
reference to things and objects in terms of energy, which objects
are essential parts of the wage question in general, and because
the nature of the economic controversy which resulted in Mill's
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The Millian theory of value begins with a dogma - that,
however may be the measure of prices, one thing alone - human
labor - is capable of creating value. The productive power of
humanity consists of two elements only: man, and the things which
are at man's disposal. Prices are, in the Millian system, deter-
mined by the process of distributing value, which means into prices
value apart from them, as a consequence of the labor process. Ac-
cording to J. B. Mill: "In Mill's writings, value seems to mean
what commodities were really worth in consequence of the exchange
of labor incorporated in them, as something value distinct from
the prices which they actually fetched, or seemed to fetch in the
market."¹
Mill holds that things at man's disposal as a part of his
productive power, consisted in part of material objects, existing
independently of man, like land and water, and in part, things which

1. J. B. Mill - *Principles of Political Economy*, Chap. I, p. 210.

men have created by changing the forms of natural objects. No productive power exists at all without being embodied either in a man or in a thing which men can use. But the things men use, as far as they are not mere natural objects, are products of men's activity in the past. They are products of men's labor, acting upon natural objects. Capital, then, except to the extent to which it consists of natural objects, is a product of human labor, is simply human labor in a stored or accumulated form. Marx must have meant that natural objects, merely as natural objects, have no value. They acquire value only by being mingled with men's labor upon them.

Marx denies that commodities tend to sell at their "values" in his sense of the term, that is, at prices corresponding to the amounts of labor incorporated in them. Does he mean then that wages are of no help in measuring one kind of labor against another, or that labor-power differs from all other commodities in that it alone does tend to sell at its "value" in the Marxian sense?

Marx lays down the doctrine that labor is not merely the measure and cause of value, but that it is also its substance. "Of course he does not deny that utility is a necessary condition of value and that it is really the only consideration in the case of "value in use". But utility alone is not enough to explain value in exchange, since every act of exchange implies some common element, some degree of identity between the exchanged commodities."¹

According to Marx, the entire source of capitalistic profit, and also of rent and interest under Capitalism, is to be

1. Gide and Rist - History of Economic Doctrines, Bk. III, Chapt. 3, p. 451

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in exchange, since every act of exchange involves some common ele-
ment, some degree of identity between the exchanged commodities."
According to Marx, the active source of commodities pro-
duces, and also of rent and interest, which capitalists, in so far

found in the exploitation of labor. Profit, rent and interest, Marx calls by the collective name of "Surplus Value". This "surplus value" consists wholly of the difference between the value which labor has the power of creating and the value which the capitalist has to pay away to the laborer in return for his services.

Surplus value constitutes a fund, according to Marx, divisible among all capitalists, but not accruing directly to the particular capitalist in whose factory it is brought to birth. All capitalists are in competition, one with another, to secure as much surplus value as possible, and the system of prices is the means whereby the available amount of surplus value is shared out among them. The share which each gets, tends to correspond to the total amount of capital which he embarks in production, irrespective of the ways in which the capital is expended as between the purchase of labor-power or of other requisites of production. For, if this were not so, capital would obviously flow in undue measure, in relation to demand, towards those branches of industry which offered the opportunity of appropriating the largest profits. But the effect of this would be to depress, through relative over-production, the price of the goods produced in these branches of industry, and so to reduce the profits on the capital invested in them. Thus the ebb and flow of capital from industry to industry in search of surplus value tends to bring about an equalization of the expectations of profit in all branches of industry.

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 market whereby the capitalist amount of surplus value is shared out
 among them. The share which each gets, tends to correspond to the
 total amount of surplus value he extracts in production, through-
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It is apparent that Marx's aim was to show how the propo-
 sited class had always lived upon the labor of the non-propertied
 class - the possessors upon the non-possessing.

Let us take the case of a working man, an employee in any kind of industry, working 10 hours a day. What will be the exchange value of the produce of his labor? It will be the equivalent of 10 hours of labor, whether the commodity produced be cloth or coal. And since the master or capitalist, as Marx always calls him, in accordance with the terms of the wage bargain, reserves for himself the right of disposing of that commodity, he sells it at its real value, which is the equivalent of ten hours' labor.

The worker himself is cut off with a wage which simply represents the price which the capitalist pays for his labor, and the capitalist reserves for himself the right of disposing of the commodity at his own pleasure. Labor-force or manual labor is just a commodity, and its value is determined by the number of hours of labor necessary for its production.

"The capitalist epoch is therefore characterized by this, that labor-power takes, in the eyes of the laborer himself, the form of a commodity which is his property; his labor consequently becomes wage-labor ... Given the individual, the production of labor-power consists in his reproduction of himself or his maintenance. For his maintenance, he requires a given quantity of the means of subsistence. Therefore, the labor-time requisite for the production of labor-power reduces itself to that necessary for the production of those means of subsistence, in other words, the value of labor-power is the value of the means of subsistence necessary for the maintenance of the laborer."¹

Marx defines wages as not the worker's share of the commodities which he has produced, but as share of commodities previously

1. Karl Marx - Kapital, Vol. I, Chapt. 6, p. 149

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kind of industry, working 10 hours a day. What will be the ex-
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sary for the maintenance of the laborer."
Marx defines wage as not the worker's share of the social-
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produced, with which the employer purchases a certain amount of productive labor-power. Labor-power is then considered a commodity which its owner, the wage worker, sells to capital, and he sells it in order to exist. The wage earner thus produces nothing for himself but his wage. He produces, it is true, commodities, but they are made over to other parties. Wages are thus determined by the same laws which regulate the price of any other commodity. Wages are the price of a certain commodity, labor-power. The prices of commodities are determined by means of competition between buyers and sellers and the relation between supply and demand.

"The capitalist has to pay the laborer as wages, whatever is requisite in order to produce and maintain an adequate supply of the type of labor that is in question. But the laborer sells, in return for his wage, his entire power to create value, subject only to such limitations as are involved in the terms of sale. In other words, the value of his product exceeds the value expressed in his wage. Where does the difference go? The capitalists get their profit, and the landlord and money-lenders their rent and interest, out of this difference between the value of labor-power and the value of the product of labor."¹

Marx takes pains to distinguish between labor and labor-power. The thing which the laborer has to sell, and is compelled to sell in order to supply himself with the means of living, is his labor-power, his power to create value. This labor-power is a commodity and its value is determined in the same way as other commodities, by the amount of "value" that is used up in its production. But labor itself, when it is actually being expended in

1. John Spargo - Karl Marx, Chapt. 14, p. 341

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the creation of value is not a commodity. And the value of the product of labor is by no means the same thing as the value of the labor-power which is expended in making the product. The difference between these two values is "surplus value."

Now, as Marx contends, assuming that any wage paid under capitalism is a subsistence wage - how can it be raised when the surplus value theory exists? Marx answers that a rise in the demand price of labor tends to cause less of it to be bought, unless it can be made by some other adjustment of conditions, such as introduction of machinery, to yield as much surplus value as before. But if less labor is bought, this will mean unemployment, which will reduce the workers' bargaining power, and compel them to readjust their psychological valuation of the commodity which they have to sell. On the bargaining power of the workers under capitalism depends the state of the labor market, and the workers can raise effectively their valuation only in conditions which will make it worth the capitalists' while to pay for it. In other words, only an advancing capitalism can concede a rise in wages.

To sum up: (1) Under capitalism, the main benefits of the growth of production accrue, not to the workers, but to the capitalistic owners of the means of production. (2) The power of the laborers to raise the subsistence level of wages is limited by the pace of capitalistic development. Wages can advance, as long as capitalism can advance. (3) By shortening the daily working hours, the laborers can create enough value to meet the cost of their subsistence and thus to cover the wages they receive. (4) If by shortening the hours of work and working harder, the wages will tend to rise, although the value of labor-power and surplus value will

the question of value is not a necessary one. The value of the product of labor is not the same as the value of the labor-power which is expended in making the product. The difference between these two values is "surplus value".

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To sum up: (1) Under capitalism, the main motive of the growth of production is not to the workers, but to the capitalist owners of the means of production. (2) The motive of the laborer to raise the subsistence level of wages is limited by the pace of capitalist development. Wages can advance, as long as capitalism can advance. (3) In determining the daily working hours, the laborer can secure value to meet the cost of labor and subsistence and thus to cover the wage-reproductive. (4) If he cannot bring the hours of work and working hours, the wages will tend to rise, although the value of labor-power and surplus value will

retain the same proportions as before.

The analysis of any society, according to Marx, will reveal it as broadly divided into two classes: of men who own the instruments of production, and men who can gain a livelihood only by selling their labor (having nothing else to sell) to those owners. And since it is to the interest of the masters to purchase their labor as cheaply as possible, while it is to the interest of the workers to sell it at the highest possible price, the antagonism between the two classes is fundamental and irreconcilable.

In conclusion, it would appear to this writer that Marxism stands or falls with the proposition that capital is over a long period of time, essentially predatory; that all interest is therefore unearned; and that capitalists can only enrich themselves by impoverishing the non-capitalists, that is the laborers. When it is suggested that capital is productive, it is not implied that capital alone without either land or labor, can produce anything. It means merely that capital is an aid in production, or that industry is more productive when it is amply than when meagrely supplied with capital. If this were not true, and if capital had a tendency to be wholly predatory, it would follow that the richest countries, or the countries of highest wages, would be the countries where there was the least of this predatory power called capital, or the fewest of capitalist parasites, and the countries of lowest wages the ones where there were the most parasites, or where the amount of capital was greatest. Exactly the opposite is true. If capital were wholly predatory and in no sense an aid in production, the migration of laborers would be away from countries where there is much capital to countries where it is scarce.

According to T. N. Carver: "In this country, which is now the leading capitalist country of the world, it is possible to pay higher wages than in other countries precisely because labor is equipped with more capital, that is, power-driven machinery, than in other countries. Being thus equipped, our industries turn out a larger product per worker without driving the workers any harder. This makes it possible to pay higher wages in this country."¹

MARGINAL PRODUCTIVITY THEORY

The modern productive processes are roundabout, requiring a long time before the finished article is in the hands of the consumer. Wealth is unequally distributed. The majority of laborers have not the wherewithal to support themselves, let alone to supply themselves with raw materials and machinery, during the prolonged period. The wage-earners cannot wait until the commodity is sold; they must have their remuneration at once. This is advanced to them out of a surplus held by the capitalists, who make their gain by giving the laborer less than he eventually produces -- that is, he discounts the product of his labor. Throughout all the stages, from the first gathering of materials up to the emergence of the final commodity, the capitalist class makes advances to the laboring class; in every case discounting the value of their product.

The marginal product is the commodity produced at the point where the product is just profitable. Anyone who can produce under more favorable circumstances will make a surplus over the person who produces on the margin, but it is the cost of the latter that

1. T. N. Carver - "The Fundamental Error of Marxism" - Current History, October 1928, p. 21

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the leading capitalist country of the world, it is possible to pay
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The capitalist method is the commodity produced at the point
where the product is put into the hands of the consumer who
uses it for his own purposes. It is a method which the person
who produces on the margin, and it is the basis of the latter's

determines the general wages. If, for any reason, it is necessary for an industry to decrease the number of workmen, the least efficient group are the first to be discharged. There is always such a group oscillating between employment and unemployment, regardless of the state of industry. This group may be regarded as the marginal group and their labor as marginal labor. Their wages will be just sufficient to attract into industry, the number needed at that time. The wages of any group of laborers tends to remain at equality, so long as competition is effective. The competition among workers seeking employment, tends to keep any worker from getting more than the value of the marginal product. The competition among employers for workers keeps him from getting less. Thus, the wages of any group of laborers will tend to be fixed at the value of their marginal product. The laborer, who deals with a monopolist or one making a large profit, must accept the same wage as can be paid by one producing on the margin. It is the marginal producer who sets the limit to their competitive bidding for labor.

If the productive process is simple, the outcome easy to predict, the competition among capitalists keen, then wages will approach nearer the marginal product than when the reverse is the case. When the process is a long drawn out one, the wages paid are determined by the marginal value of similar labor in industries, where the returns may be estimated from experience. Thus the true theory of wages may be summed up in one sentence. - Under free competition, the discounted marginal product of labor determines the wage. - Now the lessening range of free competition in modern times brings about a wider divergence between wages and the total product of labor. However, a large part of modern industry is still under

conditions of competition, and wages are still approximately determined by the discounted marginal productivity of labor.

Philip Snowden writes: "An increase of wages in normal times does not necessarily justify an increase of prices. On the contrary, a moderate advance in wages may have the effect of lowering the cost of production. During the last fifty years of the 19th century, wages advanced steadily and prices fell during the same period. An increase of wages in normal times gives the workman a higher standard of living, and his productivity ought therefore to be increased. When competition operates in the home and foreign markets, profits are reduced to a minimum on the edge of the economic pool. If an advance of wages increases cost of production, one or two results will follow. The employers working on the outside margin will be eliminated. The other employers will seek by improvements in machinery and methods, and by eliminating waste, to obtain compensation for the higher wages' bill. But in manufacturing trades, a moderate increase of wages in ordinary times, ought not to increase the cost of production or to reduce profits. Wages in the United States are higher than in any other country, but the cost of labor is lower than elsewhere because of its greater output."¹

It is easy to prove that the great movement of modern days, the employment of mechanical in the place of human forces, operates ultimately in cheapening produce and in bettering the wages of labor. But until that is brought about, the producers on the old lines may be subjected to severe privation. Nay, unless precautions are taken against the abuse of labor on the part of

1. Philip Snowden - Wages and Prices, Chapt. 11, p. 117

employers, it is very possible that the mass of those who work under the new system may sink to a lower position than that which they previously occupied when they were engaged with the old. "The efficiency of labor may, by the use of mechanical expedients, be greatly enhanced, but unless the demand for labor is simultaneously enlarged, the profits of the employer may be increased enormously while the wages of the workmen may even be lessened."¹

1. Richard T. Ely - Evolution of Industrial Society, Chapt. 14,
page 365

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APPENDIX

Index Numbers of Change in Nominal Wages for a Normal Week's Work.

UNITED KINGDOM, 1850-1904

Period	Agriculture							Average
	England and Wales	Scotland	Ireland	To- gether	Building	Engineering and shipping	Coal	
	1.	2.	3.	4.	5.	6.	7.	8. (Time rates)
1850-54	70	55-60	45-55	60	59	71	..	81 (55)
1855-59	75-80	60-65	50-60	65-70	65	75	..	81 (60)
1860-64	75-80	60-65	65	65-70	68	75	..	81 62
1865-69	80	65-70	65-70	70-75	74	78	(65)	82 67
1870-74	90-100	80-85	75	85-90	79	83	90	86 78
1875-79	95-105	90-100	80-90	(95)	89	86	70	93 88
1880-84	90	85	85	85	87	87	73	94 77
1885-89	87	85-90	88	85	88	87	72	94 79
1890-94	91	90	90	91	91	92	91	98 87
1895-99	94	(95)	95	95	96	96	84	98 92
1900-04	100	100	100	100	100	100	100	100

"The numbers in column 9 in this table give the tentative answer to the question, 'What has been the change in the average wages of the working population of the United Kingdom as a whole?'"¹

Index Numbers of Changes in Prices based on English Market Quotations.

Period	Vegetable food	Animal food	Sugar coffee & tea	Minerals	Textiles	Sundry Materials	Grand Average
1846-49	101.5	80.7	82.7	85.2	71.5	81.	84.
1850-54	89.4	74.6	83.6	90.4	81.2	90.6	85.4
1855-59	105.2	86.4	100.8	104.2	87.4	109.2	98.4
1860-64	93.	88.4	101.2	93.6	123.2	105.	101.2
1865-69	99.8	93.2	95.8	88.6	117.8	99.8	100.
1870-74	98.8	102.2	102.	113.2	103.6	102.8	103.6
1875-79	93.4	102.	95.6	84.4	82.	90.8	91.
1880-84	82.	101.2	77.6	75.8	73.8	85.	83.
1885-89	65.8	84.4	66.	71.	65.4	69.4	70.2
1890-94	63.8	82.4	70.	71.8	58.8	67.4	68.6
1895-96	53.5	75.2	60.5	62.5	53.	64.	61.5

2

1. Palgrave's Dictionary of Political Economy, Vol. 3, p. 798
2. Palgrave's Dictionary of Political Economy, Vol. 3, p. 196

Index Numbers of Changes in Retail Prices for a General Group of Goods

1913-1914 = 100

Period	Food	Alcohol and Tobacco	General	Services	Average
1913-14	100	100	100	100	100
1914-15	105	105	105	105	105
1915-16	110	110	110	110	110
1916-17	115	115	115	115	115
1917-18	120	120	120	120	120
1918-19	125	125	125	125	125
1919-20	130	130	130	130	130
1920-21	135	135	135	135	135
1921-22	140	140	140	140	140
1922-23	145	145	145	145	145
1923-24	150	150	150	150	150
1924-25	155	155	155	155	155

*The figures in column 4 in this table give the relative number of the population of the United Kingdom as a whole.

Index Numbers of Changes in Prices based on English Market Conditions

Period	Vegetable	Animal	Sugar	Wine and Spirits	Food	Average
1913-14	100	100	100	100	100	100
1914-15	105	105	105	105	105	105
1915-16	110	110	110	110	110	110
1916-17	115	115	115	115	115	115
1917-18	120	120	120	120	120	120
1918-19	125	125	125	125	125	125
1919-20	130	130	130	130	130	130
1920-21	135	135	135	135	135	135
1921-22	140	140	140	140	140	140
1922-23	145	145	145	145	145	145
1923-24	150	150	150	150	150	150
1924-25	155	155	155	155	155	155

1. Indexes of Retail Prices of Food and Drink, Vol. 1, p. 102
2. Indexes of Retail Prices of General Goods, Vol. 1, p. 102

PART II

TRADE UNIONS IN THE UNITED STATESAre They Justified?

The Trade Union movement is a dominant feature of modern industrial life. It is a sign of social unrest and yet may be considered as a sign of social progress. Fifty years ago, the Trade Unionist got very little sympathy from the economists, for they believed that wages were governed by immutable economic laws and could not be affected by organized effort. Now, however, the opinions of Trade Unionists and economists are not so far apart, and the Trade Union is to be welcomed insofar as it has unselfish motives and works for the benefit of the laboring classes as a whole. The question is often asked by the layman -- are Trade Unions justifiable and utilitarian in this modern industrial democracy? Are they in any way detrimental to our views of industrial liberty? The following is an excerpt from the Report of the Industrial Commission of 1902 - "The maintenance of the Union organization, through which the wage is upheld, costs time and trouble and money. More important than anything else, it involves, for those who are active in it, the peril of the displeasure of their employers and the loss of their livelihood. If the non-union man secures a rate of wages above what he could get if the union did not exist, the members of the union feel that he has made a gain directly at their expense. They have sown and he has reaped. It seems to them to be required by fairness that he bear with them

the burden of maintaining the conditions of which he reaps the benefit. If he is not willing to share the burden, it seems to them only just that he should be excluded from the gain. If on the other hand, non-union men as efficient as the members of the union compete for employment by cutting under the union rates, there is a great weakening of the collective bargaining. The employer will prefer the non-union to the union man because he is cheaper. Those who are in the union will be tempted to leave it, because their chances of employment will be greater outside than in. The final result of the process, if permitted to work itself out freely, will be, it is declared, the destruction of the organization itself.

The intelligent and conscientious unionist accepts this argument the more readily because he looks beyond his personal interest to the interest of his trade and the whole working class. The elevation, first of his union fellow-workmen, and afterwards of all wage earners, is the ideal which he sets before him. He believes that no other change, no increase of scientific knowledge, no ennoblement of art, no multiplicity of material wealth can be compared to this in its importance to the social body. He may or may not believe that it is necessary to look for radical improvement to changes of the laws. In any case, the thing that seems to his mind to give the best promise of immediate results, is the organization of labor. It follows that it is every man's duty, in his view, and in particular the duty of every wage-earner, to strengthen the labor organization. The working man who stands aloof is

the question of maintaining the position of which we occupy the
position. It is not willing to grant the position, it seems to
them only that we should be excluded from the rank. It is
the other hand, non-union men are excluded as the members of the
union receive the employment by choice under the union rules.
There is a great tendency to the collective bargaining. The em-
ployer will prefer the non-union to the union men because he is
cheaper. Those who are in the union will be tempted to leave it,
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in. This kind of result of the process, it is said, is not itself
out itself, will be, if it is desired, the destruction of the organ-
ization itself.

The industrial and commercial unionists receive this pr-
mises the only really serious danger to their position is that
not to the interest of the time and the whole world. The
situation, that of the union is very serious, and especially of all
ways around, is the fact which he can prove his. He believes
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not believe that it is necessary to look for radical transforma-
to changes of the law. In any case, they claim that there is no
need to give the best promise of immediate relief. In the present
situation of labor, it follows that it is very much more, in his
view, and in particular the duty of every wage-worker, to attend
then the labor organization. The working man who thinks about it

often felt to be a recreant to his social obligation, and a traitor to his fellow-workmen and to his class."¹

There is beyond question much force to the argument of union men in defence of their attempt to exclude others from employment. The union can exercise little control over the conditions of labor if there is a large body of unorganized men in the trade, who do not join in collective bargaining, but who are willing to accept inferior conditions. If working-men, perhaps through misunderstanding of the advantages which organization may bring them, are unwilling to join in the collective cause, there is much excuse for the endeavor to make their condition such as to alter that determination. So long as the actions of labor organizations in this direction are peaceful, without intimidation or physical violence, it is not easy to see why they should be placed under the ban of the law.

The attempt to compel employers to hire only union men may evidently be a poor policy for labor organizations which have not yet strength enough to enforce the demand. The animosity of employers is likely to be aroused by what seems to them, dictation. It must not be forgotten, however, that in a very large number of establishments, in many trades, employers -- apparently with little objection -- enter into agreements for the exclusive employment of union men. Yet it is obviously desirable that the unions should rely, as far as possible, upon persuading employers of the superior efficiency and regularity of union labor, rather than upon more coercive methods.

1. Report of the Industrial Commission, 1902, Vol. XIX, pp. 815-816

often felt to be a burden to the local organization, and a
factor to its failure to maintain its aims."

There is beyond question much to be learned from
union men in defense of their struggle to achieve better
employment. The union men exercise little control over the con-
ditions of their work. There is a large body of unskilled men in
the trades, and it is not just in collective bargaining, but in the
willing to accept inferior conditions. It is not only in the
through administrative action of the management which is
and being done, but unwilling to join in the collective action.
There is much to be learned for the workers to make their conditions
such as to attract better labor. It is not as the unions at
labor organizations in this situation are presented, without in-
formation or practical advice, it is not easy to see why they
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The unions are not only unwilling to give their labor men
any authority in a good policy for labor organizations which have
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of the superior efficiency and regularity of union labor, rather
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The attempt of labor organizations to make this membership as comprehensive as possible is materially different in character from the attempt less frequently made, to exclude persons altogether from the trade. Suppose, for example, the union is willing to receive any competent person into its ranks, no man can complain of being absolutely deprived of work because union men refuse to work with him so long as he fails to join the organization. Then, there is the temptation of restricting the number of members, for obvious reasons. This is occasionally done by an absolute refusal to receive more candidates. Such action is however, rare. The forms in which this tendency more commonly appears are restrictions on apprenticeship and high initiation fees.

AIMS OF TRADE UNIONS

One of the manifest purposes of the Trade Unions is to secure a higher share of the National Dividend for the laboring classes. This National Dividend, which is the whole store of economic goods produced over a specified time, is divided into profits, interest, rent and wages, depending on the class into whose hands it falls. There is a continual conflict between capital and labor over their share of the National Dividend. For the sake of argument, it is plainly to the economic interest of the capitalists to obtain a maximum of labor at a minimum of cost. On the side of labor, it is to their interest to give a minimum quantity of service for a maximum real wage. Though the element of conflict is inevitable, it is rendered more intense because of short-sightedness and prejudice on both sides. The laborer wants a greater daily

wage for a shorter day's work, forgetting that if the days were shortened beyond a certain point, wages must fall because of diminished production. The employer, on the other hand, is just as irrational. He wants more hours of labor for a smaller daily wage, forgetting that his profits might fall because of the diminished efficiency of the laborer. Most important of all, if our competitive system of production is to exist, the employer should see that he must do his part to keep up consuming power by encouraging higher wages. Right here is where the Trade Union appears to be a social asset. It is manifestly much easier for the workers to unite for the purpose of raising wages, and therefore augment the consuming power of the nation as a whole, to the benefit of employees and employers.

HOW THEY CAN RAISE WAGES

In discussing to what extent Trade Unions can raise wages, it may be advisable to divide the question into four parts, according as the rise in wages is in a particular industry or general; and according as rise may diminish profits or increase prices. The first question is -- Can Trade Unions raise wages in a particular industry at the expense of the consumer? ^{conclusion} The writer's / is that it can, when the following conditions exist. If the union has a monopoly of the supply of the particular kind of laborers required, and if the demand for the product of the industry is firm and inelastic, and if adequate foreign supplies of the product can be kept out of the country, then wages may be raised at the expense of the consumer. It would be very unusual to have all of these

conditions present; hence, it would only be in the extreme case that a rise in wages is entirely paid out of a rise in prices.

The second question -- Can Trade Unions raise general wages, at the expense of the consumer? This is evidently impossible, because the wage earners themselves form the bulk of the consumers, and any nominal rise in general wages is offset by a rise in general prices. But, if the total output were increased at the same time, then it would be possible for the general real wages to be advanced.

The third question -- Can Trade Unions raise wages at the expense of profits, in a particular industry? If the industry has a monopoly of the products produced, then their rate of profits will be larger than in other industries that have to withstand competition. In such a case, Trade Unions can raise wages at the expense of profits, but if the demand for the product is inelastic, and no other supply is obtainable, the employers will be able to shift the burden on the consumer by charging higher prices. If, however, the industry is operating under free competition, then the Trade Unions cannot, as a rule, raise wages permanently. They may secure a temporary raise in wages, but as a result, profits are likely to be rendered lower than in all other industries. This would mean that capital would leave the industry, which would be followed by a lessened demand for labor in that industry, and a reduction in wages. Thus under free competition, the only chance that Trade Unions would have in obtaining an appreciable raise in wages, would be in inducing the employer to find new means of cutting down other costs of production and improving plant equipment, so as to facilitate greater production which could insure a rise in wages, not at the expense of profits.

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profits.

Coming now to the important question -- Can Trade Unions raise the general rate of wages at the expense of profits? Now it is evident that the employer requires a certain share of the National Dividend in order to keep efficient and enable him to live comfortably in an era of rising standards of living. To take the simplest possible case, let us say that the line A D represents the National Dividend excluding the claims of rent and interest.

A B C D

Of this total A D, let AB represent the profits necessary to award the employer. The surplus BC constitutes the range in which disputes over wages can take place. It is to the economic interest of each class to obtain as much of this debatable surplus as is possible without lowering the productiveness of the other group. At the beginning of the 19th century, the capitalists probably took more than this surplus, thus eating into the laborer's share, reducing efficiency and lessening the National Dividend. However, within the limits set by this surplus, there is scope for Trade Union action providing the pendulum does not swing too far the other way and cut down the necessary profits. Now the theory of wages in a capitalistic country depends on free competition. However, it happens that the laboring masses are less informed about market conditions and less shrewd in bargaining than business men of the employer class. Trade Unions, by collective bargaining, are effective in appropriating for labor much of this debatable margin, and thus bringing wages up to the full discounted value of the product of labor in general. There is thus a very definite limit to which general

wages can be raised by Trade Unions. By aggressive collective bargaining, they can counteract the tendency of wages to lag behind the general price level. Much of the increase in wages, attributed solely to Trade Union action, would have taken place anyway, but much slower. A true field for Trade Union action is to be found in the direct and indirect increasing of the efficiency of laborers and enterprises, thus increasing the productivity of industry, increasing the National Dividend and causing higher real wages.

Having discussed the advantage of Trade Unions in equalizing wages and obtaining a fair wage for all, the reader is now asked to keep in mind that every worker in the field of industry cannot enter into direct competition with every other workman and thus bring about an absolute equalization of wages. Certain kinds of work require men of genius who seem naturally fitted for that line of work. This genius depends rather on inborn capacities, than on training, and it is thus difficult to see how skill of this kind can be increased. The individual's natural gift does not determine what his success in life shall be, but sets a definite limit. Thus it is possible to find people above the average mentally, doing very menial tasks, but the reverse is rarely the case. A high degree of skill cannot be attained by one mentally deficient. However, the average individual has much more intelligence than is required in most trades, and it is, therefore, not congenital qualities alone that determine one's life occupation, but also environmental conditions. For instance, some people receive more adequate schooling than others and gain thereby an advantage. Most professional occupations require long periods of training which necessitate

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about an absolute equalization of wages. Certain kinds of work re-
quire men of a caliber who are naturally fitted for that kind of work.
This caliber, whether based on natural aptitudes, upon education,
and so on, is difficult to have and skill of this kind can be in-
creased. The individual's natural gifts are not necessarily what his
employer is able to do, but with a definite limit. There is no
possibility for him to do more than average mentally, so far as
talents, and the revenue is largely the same. A high degree of
skill cannot be obtained by one naturally deficient. However, the
average individual has much more intelligence than he requires in
most trades, and it is, therefore, not economical to utilize those
that determine one's life occupation, but also environmental con-
ditions. For instance, some people of above average ability
are born artists and gain thereby an education. Some are naturally
mechanical and require long periods of training which necessitates

considerable sacrifice, and tend to keep down the numbers. It is thus apparent that the differences, both congenital and acquired, cause society to be divided into a large number of non-competing groups.

THE CLOSED SHOP POLICY

It is impossible to pass any general verdict upon the justice of the closed shop policy. Two forms of the closed shop are common: the closed shop with a closed union, and the closed shop with an open union. Under the latter arrangement, the employer may hire whom he will, but the employee must join the union. In the case of the closed union, the employer can hire only members of the union. In some industries, where employment fluctuates considerably, the hybrid "preferential union shop" is common where the reserve labor is largely non-union.

Most Americans are inclined to condemn the closed shop, offhand as an attempt to deprive the non-union man of his "sacred right to work." They forget that the union man enforces the closed shop policy by an exercise of his "sacred right of quitting work." Except where violence is employed, the union which is attempting to enforce a closed shop policy threatens to do nothing worse than direct its members to quit the employment of the proprietor of the open shop in question. Thus, two equally sacred and inalienable rights clash in this contest, and it is plain that no decision concerning the legitimacy of the closed shop policy can be determined offhand by applying the touchstone of individual rights. If we would know whether a strike against non-union men is justifiable

considerable difficulty, and that to keep them in mind. It is also apparent that the differences, both corporate and individual, cause leaders to be divided into a large number of non-cooperating groups.

THE ALIEN SHOP POLICY

It is impossible to make any general statement upon the basis of the closed shop policy. Two forms of the closed shop are common: the closed shop with a closed union, and the closed shop with an open union. Under the latter arrangement, the employer may hire whom he will, but the employee must join the union. In the case of the closed union, the employer can hire only members of the union. In some instances, where existing limitations considerably, the "hybrid" "preference" union shop" is common where the results tend to largely even-out.

Most Americans are inclined to condemn the closed shop, and have an almost instinctive feeling for the non-union man of the "open shop policy." They forget that the union man endures the closed shop policy by an exercise of the "sanctified right of political work." Except where violence is employed, the union which is attempting to enforce a closed shop policy exercises its right to organize and to direct its members to give the employment of the property of the union shop in America. Thus, the usually stated and traditional right of the individual, and it is this that is the basis of the closed shop policy of the closed shop policy and the preference of the employer. It is not a right of the individual, but a right of the union, and it is this that is the basis of the closed shop policy.

or unjustifiable, we must inquire into all the surrounding circumstances and the manner in which the strike is conducted. If the strike is conducted peaceably, and if the union in question is an open union, cordially inviting the "scabs" to enter and share its benefits; if the rate of wages and other conditions of work demanded by the union men are reasonable in view of the cost of living and other similar conditions; if the "scabs" accept less than a living wage or are working to undermine a decent standard of living; then we have no hesitation in saying that the employment of the closed-shop policy on the part of the union is thoroughly justifiable.

One must not confine his attention wholly to the injury done to the non-union man. The price-cutting "scab" in the labor market is not ordinarily a social benefactor. According to Richard T. Ely -- "the weakest, dullest and least enterprising laborer exerts an influence upon the general level of wages out of all proportion to his importance or his deserts. If this be true, the man who cuts the standard rate of wages may do a grave social injury, and there is justification for those who peaceably combine to prevent him from doing his destructive work."¹

ARE STRIKES JUSTIFIED?

The strike is regarded by the Trade Unionist as part of the wage system just as much as the brake is a part of the necessary equipment of a railroad train. It is the opinion of most labor leaders that almost all improvements in the economic condition of

1. Richard T. Ely - Outlines of Economics, Chapt. 22, p.695

the workers have come about as the result of the industrial struggle of organized labor.

The strike is, however, looked upon as a measure of last resort to be used after chances of success or defeat have been carefully calculated, and after both sides have failed in their attempts to settle the differences by all other means, such as: conferences, conciliation and arbitration. It is refreshing to note that while many Trade Unions still cling to the theory that the strike is the most powerful weapon in bringing about better conditions for the workers, labor leaders themselves are now tending more and more to frown upon indiscriminating striking, and to rely more and more upon efficient business tactics in bargaining with employers. On the other hand, they have maintained that strikes strengthen the solidarity of the unions and encourage their members to make personal sacrifices for the common good, while they force employers to respect the strength of organized labor, and are therefore not, in the long run, particularly costly. The time lost in strikes, it has been said, largely takes the place of enforced vacations -- seasonable stoppages and other kinds of unemployment with which the average wage earner is normally visited during the course of the year's work. No dialectic, however, can argue out of existence the injury and destruction resulting from strikes. Many strikes are gravely injurious to the wage-earners themselves; and almost all strikes injure the employers and the consuming public. From the social standpoint, the strike is an evil, and all justifiable means should be employed to prevent its occurrence.

The workers have been asked to be loyal to the industrial

struggle of organized labor.

The strike is, however, looked upon as a measure of last

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concessions, a mediation and arbitration, it is returning to

must first while many trade unions still cling to the theory that

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and that for the workers, labor leaders themselves who have

the vote and vote is given to the industrial strike, and to

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with employers. In the other hand, they have maintained that

elaborate organization the activities of the nation and therefore

which seek to be more personal activities for the common good.

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the strike in strike, it has been said, largely, and the strike

of organized resistance -- economic approach and strike action in

which means with which and means which rather is normally strike.

During the course of the year's work, the economic, however, men

agree and all attended the living and education meeting from

strike. Many of us are away in the strike for the wage-rebate

movement, and all the other things which the workers and the

community realize. From the social movement, the strike is an

evil, and all the other things which would be a strike to prevent the

organization.

EDUCATIONAL AND SOCIAL ADVANTAGES OF TRADE UNIONS

Practically all unions have important educational and social activities. Debate upon educational topics is common in union meetings, particularly at the conventions of the state and national organizations. It has even been said by observers in close contact with the facts that foreign-born wage-earners received their most helpful and vital education in Americanization through the agency of the union. The magazines issued by many labor unions are of educational value both to the immigrant and to the American-born wage-earner, and some of these publications have shown a tendency to improve in quality. This broad education, which is a most important factor in elevating the standard of living, is supplemented by the social activities of the labor organizations. Many unions maintain a so-called Ladies' Auxiliary in which the wives of the members participate; give concerts, dances, plays and other social entertainments; maintain charitable activities, hold responsible offices and organize reading clubs and the Parent Teacher Association.

Closely allied with these social and educational features is the system of insurance benefits, which has played a very prominent part in the development of labor organizations. In Great Britain, fully three times as much money is spent by the unions upon mutual insurance of various kinds as upon administrative activities, or for the support and encouragement of strikes.

THE EFFECTS OF SOCIAL ACTIVITIES ON THE MIND

It is generally accepted that all human beings have the potential for intellectual and social activities. However, the extent to which this potential is realized varies greatly from individual to individual. This is due to a variety of factors, including heredity, environment, and socialization. The purpose of this paper is to explore the effects of social activities on the mind, and to discuss the role of the individual in the process of socialization.

One of the most important effects of social activities on the mind is the development of the individual's self-concept. This is the process by which the individual comes to see himself or herself as a member of a social group, and as a person with certain characteristics and abilities. This self-concept is shaped by the reactions of others to the individual's behavior, and by the individual's own reflections on these reactions. A positive self-concept is essential for the individual's psychological well-being, and for his or her ability to function effectively in society.

Another important effect of social activities on the mind is the development of the individual's social skills. These are the skills that enable the individual to interact effectively with others, and to participate in social groups. These skills include the ability to listen, to express oneself, to negotiate, and to resolve conflicts. These skills are learned through social activities, and they are essential for the individual's success in life.

Finally, social activities have a profound effect on the individual's emotional state. Social activities provide the individual with a sense of belonging and of purpose, and they provide him or her with a source of emotional support. This is especially true in times of stress and of difficulty, when the individual needs the support of others to cope with his or her problems. Social activities also provide the individual with a sense of achievement and of accomplishment, which is essential for his or her self-esteem.

In conclusion, social activities have a profound effect on the mind, and they play a crucial role in the process of socialization. The individual's self-concept, social skills, and emotional state are all shaped by his or her social activities, and these factors in turn determine his or her ability to function effectively in society. Therefore, it is essential for the individual to engage in social activities, and to seek out the support of others in times of need.

STANDARDS OF LIVING

Professor Bye classifies society, roughly, into the following levels:¹

- (1) Unskilled manual workers
- (2) Semi-skilled manual workers and low grade clerical workers
- (3) Skilled manual, common clerical workers, school teachers, etc.
- (4) High grade mental workers, administrators and professional men
- (5) Very talented workers, artistic and literary geniuses
- (6) Captains of industry, etc.

As a rule, a person belonging to one of these groups is not able to enter into a higher group, nor is he likely to fall from a higher to a lower rank. Of course, there are exceptions to this rule, but on the whole, the great masses adhere to it. The people of one class are either unable or disinclined to compete with the people of the other classes. Thus, each group supplies a certain kind of labor, free from the competition of the other groups.

It is thus evident, that the size of these groups will be a large factor in determining their rate of wages. If the number in one group is large, then the marginal productivity will be low, and the wages correspondingly low. Similarly, in the group of the limited numbers, the earnings are low. Thus, the causes determining the size of the groups is important. Carver lists the factors determining the size of the groups as follows: (see next page)

1. Prof. R. T. Bye - Principles of Economics, Chapt. 14, p. 422

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CARVER'S LISTS ¹

Causes of the Scarcity of Labor	(((((Fatigue
					(Long hours
					(Disinclination to (Loss of opportunity
					(work because of (for pleasure
					(
					(Disinclination to (A high standard
					(multiply be- of living
					(cause of (Late marriages
					(Birth control
					(Women
					(In the unskilled (Exclusion of (Children
					(trades (Men of other races
					(
					(Restriction of immigration
					(
					(Encouragement of emigration
					(War
					(Destruction of life thru (Pestilence
					(Famine
					(
					(Rarity of genius
					(Expenses of Education
					(In the skilled (Disinclination to study
					(trades (Restriction of numbers of apprentices
					(Closed Shop
					(

Most of these causes are perfectly evident, however, special mention should be made of the influence of the standards of living and immigration on the general masses of the unskilled laborers.

The standard of living is a powerful force in holding procreative instincts in check in the upper classes of society. The person who has become accustomed to a high standard of living, does not willingly release his hold on it. He will not marry and undertake to support a family until he feels quite certain that he will not have to dispense with his usual luxuries and comforts of life. As a result of late marriages and the fact that people with high standards of living control their number of children, their families

1. T. N. Carver - Principles of National Economy, Chapt. 14, p. 497

(Family) (Living group) (Social organization) (Social structure)	Relationship to work because of		
(A high standard of living) (Social structure) (Social control)	Relationship to multiply of cause of		
(Social) (Social organization) (Social structure)	Relationship to (Social structure) (Social control)	In the unskilled stages	
(Social organization)	(Social organization)		
(Social organization)	(Social organization)		
(Social organization)	(Social organization)		
(Social organization)	(Social organization)		
(Social organization)	(Social organization)		
(Social organization)	(Social organization)		
(Social organization)	(Social organization)	In the skilled stages	
(Social organization)	(Social organization)		

Most of these causes are positively evident, however, social man-
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 to support a family until he feels quite certain that he will not
 have to dispense with his usual luxuries and comforts of life. As
 a result of this unwillingness and the fact that people with high stan-
 dards of living control most of the money in the country, their position

are small. This means that there are fewer people in the upper classes of society. The lower classes, on the other hand, are not accustomed to such a high standard. They give way to their primal instincts and marry as early as possible. They do not look with the same distaste upon giving up the comforts of life for the rearing of children, and large families are the rule. In this class there is a large oncoming labor supply. If the standard of living is very low, the Malthusian principle is likely to come into force. It operates as follows. If, for some reason or other, real wages are high, then the class will multiply almost as fast as is physiologically possible. No matter how intense the cultivation or how fine the arts of production, the increasing numbers will soon flood the labor market, lowering the marginal productivity of the group and thus forcing wages down. Now, if their standard of living does not put a stop to the rapid reproduction, wages will continue to fall until a mere subsistence level is reached, and finally, more positive checks will make their appearance. The population will be kept down by causes which operate by increasing the birth rate. Infant mortality will become increasingly great and epidemics will sweep off a larger proportion of the people.

While the increase in the quantity of goods produced has taken place, by reason of the Industrial Revolution, and utilization of new and vast bodies of natural resources has been attended with an unprecedented increase in population, it has also been attended with an improvement in the standard of living. Every advance in the standard of life marks a step definitely gained in the economic progress of the laboring classes; it affords ground

are small. This means that there are fewer people in the upper
 classes of society. The lower classes, on the other hand, are
 not mentioned as even a small number. They give way to their
 principal functions and carry on nearly as usual. They do not
 look with any more interest upon the progress of life
 for the benefit of children, and large families are not rare.
 In this class of life, a large number of people are found.
 Standard of living is very low, the minimum principle is like-
 ly to be the same. It is perhaps as follows. It is not rare
 for other, rural, wages at night, when the class will naturally
 almost be lost as is physiologically possible. No other are in-
 terested in the cultivation of the land the case of agriculture, the in-
 teresting subjects will come from the labor market. However, the
 original product of the group and some other wages from
 how, it is not standard of living, but it is not in the right
 direction. Wages will continue to fall until a new equilibrium
 level is reached. At this time, the positive question will arise
 this question. The population will be kept down by means
 which operate of themselves and with the labor market. It will
 become increasingly great and expansion will cease at a higher
 proportion of the people.

While the interest in the quantity of goods produced has
 taken place, by means of the Industrial Revolution, the million-
 fold of new and great bodies of material resources have been obtained
 with an unprecedented increase in population. It has also been ob-
 tained with an improvement in the standard of living. Every ad-
 vance in the standard of living causes a deep relationship between
 the economic progress of the laboring classes; it affects the

for yet further progress. Now, this is not only because the standard of living is a fundamental factor in determining, in the long run, the supply of labor, but also because experience has shown that the standard of living affords an element of strength to laborers with their bargains with employers. Any encroachments will meet a strong and determined resistance. Moreover, a high standard of living is, as we have seen, one of the things that make for higher productive efficiency on the part of the laborer, and hence, tend to increase his earning capacity. The greatest philanthropy is embodied in the efforts made to raise the level of living. Among such efforts are included public and private movements to secure better conditions of housing, municipal expenditures for public recreation, for public libraries, for such things even as clean and well lighted streets, and, above all, public education.

NEEDS OF BETTER HOUSING

Now, it is a fact that the standard of living is determined primarily, not by the food man eats, not by the clothes he wears, not even by the minimum of education he enjoys: the standard is fixed principally by housing. Experience has shown that any other base -- money in the bank, stocks and bonds, even high wages -- is deceptive, spectacular, a pillar of sand that can fall in the night and leave all destitute. None has more powerful reason to know this than persons whose recent aggressive pride in opulence was founded on automobiles per family, silk stockings for working girls and chickens per family pot. The first breeze of the true economic

for the purpose of living, this is not only necessary and
 essential to living is a fundamental factor in the attainment of
 the good life, the quality of living, but also necessary experience
 has shown that the standard of living affects the standard of
 living. It is necessary to have a minimum standard of living. Any
 improvement will mean a higher and better standard of living.
 However, a high standard of living is, as we have seen, one of
 the things that make the highest productive efficiency of the part
 of the country and hence, it is to increase the living capacity.
 The greatest contribution is embodied in the living standard to raise
 the level of living. Among such efforts are included public and
 private movements to secure better conditions of housing, sanitation,
 and education for public welfare, for public health, for
 such things even as clean and well lighted streets, and above all,
 public education.

THE STANDARD OF LIVING

Now, it is a fact that the standard of living is determined
 by the standard of living, not by the standard of living, but by the standard of living.
 not even in the matter of education as enjoyed by the standard is
 fixed primarily by money. Experience has shown that the standard
 is -- money in the bank, stocks and bonds, even high wages -- is
 decisive, speculative, a pillar of sand that can fall in the night
 and leave all destroyed. There has been a great deal of money to know
 this fact because when money is used for the purpose of living
 it is not used for the purpose of living, it is used for the purpose of living
 and this is the fact that the standard of living is determined by the standard of living.

plight blew all these false footings away and revealed the true reasons of our national well being -- our housing. The standard of living cannot be higher than the standard of housing. The grim realization must be faced that both are low. According to John R. Ellington: "The human misery associated with the present depression, dissipates illusion, and the truth about our housing is pouring in a growing value of facts, figures and detailed descriptions. Summarized, these data reveal that no more than one-half of this country's 122 million people occupy dwellings that encourage, or even promote health and decency and peace of mind, to say nothing of mental and spiritual growth and social contact and respectability. The shelter of the other 60 odd millions imposes upon them a spiritual and physical handicap that turns the American boast of "equal opportunity for all" into a rather bitter and dangerous jest. Let the seekers after truth stroll around the brick boxes that adorn the streets of Philadelphia, Baltimore and Washington; to the shoe-box dwellings of New Orleans; to the wooden three deckers of Boston; to the fate bungalows of the Mississippi valley; to the wooden firetraps of New York City. He will find disgraceful conditions in the houses of coal miners and textile workers. In railroad tenements of Chicago, Pittsburgh, New York and the great cities there are found from 3 to 13 human beings in a single room. Even a journey to the countryside into 6 mile farm homes of the United States will reveal less than 1 out of 6 with water piped into the house. Such are the homes, not of human derelicts, but of half of our citizens, most of the men and women who toil in factories, mines, and mills, the shop workers, laborers and even the farmers and craftsmen of the nation.

Obviously, these homes are not all in slums or blighted areas, but in varying degree, they lack the essential of healthful and decent living. Why do so many of our worthy citizens live in such homes? Because most of them have no choice. They cannot afford better. Even in normal times the highest income received by two-thirds of our 30 million families was \$2,000. The majority did not reach \$1,5000, and an appalling number fell below \$1,000. Long experience has proved that no family can afford to buy a house costing more than twice its annual income, or pay more than 20% of its income for rent. In any so called normal year, what kind of a house would \$2,000 or even \$3,000 buy in an American city? Practically no new dwellings and certainly no desirable type of houses have been constructed in recent years at a cost within the means of two-thirds of our population. The majority of Americans, therefore, live in dwellings rejected by the more fortunate minority."¹

It is suggested that social, economic and political leaders be made cognizant of the vast opportunities for improvement by means of a nation wide home building campaign. This program would provide employment for millions of citizens embracing several different trades and affecting many of our basic and secondary industries.

Other suggestions are: (1) adequate supply of funds for home financing at rates people can afford to pay, to see that suitable land for housing is offered at reasonable prices (2) recognition by municipal leaders of the economic benefits of the present

1. John R. Ellington - "Tomorrow's Shelter", New Outlook, November 1933, p.49

and -- far more pronounced -- of the future.

It is refreshing to note that one of the present administration's policies for recovery is through the housing divisions of the Public Works administration. It is apparent to all that the job has been too big for private enterprise and private philanthropy. Recognizing from the above facts that the average man, unaided, cannot provide himself with adequate housing, we must be aware that it is not solely a question of money; it is a challenge to enlightened public opinion.

IMMIGRATION

If immigrants are allowed into the country, a new factor is introduced. The introduction of large numbers into the labor market will tend to force wages down, but this is not the most serious element. When, as is usually the case, the aliens have a lower standard of living, the native standard is forced down to their level. The economic effects of such a situation are serious; per capita productivity is increased, real wages fall, and poverty results. If, however, the exception is the case and the immigrant who comes into the country belongs to the business or professional class, the reverse will be true. Competition among the employers for labor will be strengthened, tending to force up the price of labor and reduce the profits of the employers. In other words, the immigration of people with means and a high standard of living is to be encouraged from the standpoint of the laboring classes. Doubtless, large numbers of such immigration would keep the employer's margin of profit down, but the

and the more numerous -- of the latter.

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Conclusion

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difference would go to the laboring classes and result in a better distribution of wealth. According to Richard T. Ely: "the ranks of the more poorly paid laborers have been continuously recruited by immigrants from other countries. The relatively low position they have to take at first in American economic life constitutes little advance over their former status. Their coming has retarded the advance in the "general level" of wages, but it gives added meaning to the fact that the general movement of the earnings of these particular laborers and their descendants have been definitely upward."¹

It is a notable fact that the first generation of immigration to the United States brings with them the habits and ways of living of their European homes. So, as long as these standards of living are retained in connection with the larger incomes which they are able to earn in this country, more of them are able to marry; they are able to marry earlier and they raise larger families. But the second generation grows up in an American environment. They attend our public schools where they mingle with American children and receive an American education. The possibility of taking a social and economic position higher than that of their parents is opportunity up to them. They become associated with the American notion that each man has a chance to climb to the top of the ladder. They find here no rigid barriers separating the social classes from one another. "Like father, like son" may have been true in Europe; here it is no binding force. But immigrants should raise themselves, not by depressing others, but

1. Richard T. Ely - Outlines of Economics, Chapt. 25, p. 521

difference would go to the laboring classes and result in a better
distribution of wealth. According to Richard T. Ely, "the
basis of the more healthy and laborious have been consistently
maintained by legislation from time to time. The relatively
low position they have in fact at times in American economic life
constitutes little movement over their former status. Their condition
has remained the same in the 'general level' of wages, but it
gives added meaning to the fact that the general movement of the
economy of these countries is laborious and their descendants have
been relatively happy."

It is a notable fact that the first generation of immigrants
to the United States came from the laboring and wage
of living of their European homes. As we have seen, the
ends of living are retained in connection with the larger income
which they are able to earn in this country, more or less and this
is better; they are able to earn better and they enjoy larger
wages. But the second generation grows up in an American en-
vironment. They attend our public schools where they receive the
American children and receive an American education. The possi-
bility of taking a better and economic position again than that of
their parents is opportunity as to them. They receive associated
with the American nation that each man has a chance to climb to
the top of the ladder. They find that the right position is open
and the social distance from one another. "Like father, like son"
may have been true in Europe, but it is no longer true. The
American child is the American child, and of American parents, the

by assimilating the manners and customs of their new environment. Perhaps it should not be forgotten that the English people at one time, gained considerably by the influx of foreigners. Some of England's best industries were developed before the Reformation by the inflowing Flemish artisans, from the time of Henry II onwards. Others owe their development to workmen who fled the Spanish Inquisition in the low countries, and to the Bourbon persecutions in France.

DISTRIBUTION OF WEALTH

Distribution of wealth and income should first be distinguished from the distribution of final consumption; the man of vast possessions may be frugal in his consumption, acting with respect to most of his property, virtually as a trustee of society.

Wealth yields power as well as consumer's satisfaction. Two entirely independent inquiries are frequently confused. In the first place, we may wish to know whether the condition of the masses of the people is getting better or worse. Do they have more or less of the good things of life than their ancestors had? Secondly, we should inquire: what relative share of the total production of industry is received by a given group in the country? What group is gaining upon the others? If A and B divided a catch of fish equally today, and if tomorrow, A gets 10 out of a total catch of 30, then his income has increased, but relatively it has declined.

Statistics show the control of income and wealth in the

upper or richer classes. Few people see these statistics for the first time, without experiencing a shock. Yet, in all capitalistic countries, the figures show a similar concentration, so that conditions must be accepted as substantially correct. The pecuniary system under which the masses live, breeds inequality of money, wealth and income, and thereby in the majority of cases, inequality of opportunity.

The United States Federal Income Tax, put into effect in 1913, gives very much more dependable statistics of the distribution of incomes than was formerly possessed. These facts are as represented in the figures in the following charts and are useful and illuminant in the diagnosis of income distribution.

While 1916-1926 is too short a period to afford a safe basis for generalization, there is much reason to believe that the results noted in the charts are typical of the long-time movements affecting the consumption of wealth and income. War, inflation, and pooling increase the consumption of wealth and income in the upper or wealthier classes. Depression exerts an economizing influence and increases the share of the total income received by the less well-to-do. But it does not increase their wealth or income measured absolutely; in material comfort and purchasing power, all classes suffer periods of depression. In general, the facts representing the distribution of incomes are such as to constitute a cause of grave concern. Despite the relatively high per capita productivity of wealth, poverty still persists, as indicated by the very small incomes at the lower end of the income scale. At the other end of the scale are a relatively small number of incomes that are absurdly large.

INCOME TAX RETURN CHART ¹

For the calendar year of 1927

Income Class	No. of Returns		Net Income	
	Simple Distribution		Simple Distribution	
		%	Amount	%
Under \$5,000	3,234,877	78.47	\$8,708,353,581	38.58
\$5,000 to \$10,000	543,509	13.18	3,759,147,199	16.63
\$10,000 to \$25,000	250,455	6.08	3,726,099,906	16.51
\$25,000 to \$50,000	59,874	1.45	2,043,439,086	9.06
\$50,000 to \$100,000	22,460	.55	1,527,683,368	6.77
\$100,000 to \$150,000	5,240	.13	633,510,993	2.81
\$150,000 to \$300,000	3,854	.09	783,185,783	3.47
\$300,000 to \$500,000	1,135	.03	428,720,830	1.90
\$500,000 to \$1,000,000	555	.013	376,920,182	1.67
\$1,000,000 and over	283	.007	586,256,979	2.60

1. U. S. Bureau of Census Returns, Statistics of Income - 1928

INCOME TAX RETURN TABLE

For the calendar year of 1937

Income Class	No. of Returns Filed in this Class	No. of Returns Filed in this Class	Net Income Single Filers/Partners
Under \$1,000	3,244,477	38.47	\$4,700,353,521
\$1,000 to \$15,000	241,203	2.13	1,739,167,139
\$15,000 to \$25,000	450,431	4.33	5,738,047,390
\$25,000 to \$50,000	124,814	1.02	1,703,433,038
\$50,000 to \$100,000	24,402	.23	1,317,083,794
\$100,000 to \$150,000	1,740	.01	63,340,332
\$150,000 to \$200,000	1,204	.01	181,132,783
\$200,000 to \$250,000	4,133	.03	433,740,330
\$250,000 to \$500,000	352	.007	212,320,122
\$500,000 and over	253	.007	300,426,373

Movement of Nominal and Real Wages: United States, 1866-1903.¹
(1890 as the Standard Year)

Year	Industry		Farm Labor (with board)	
	Relative Nominal Wages	Relative Real Wages	Relative Nominal Wages	Relative Real Wages
1866	68.5	47.9	100.0	70.00
1867	73.7	56.0		
1868	72.3	53.9		
1869	75.2	62.7	98.0	81.8
1870	87.3	68.7		
1871	94.7	72.2		
1872	97.0	74.9		
1873	93.2	76.3		
1874	91.1	73.2		
1875	88.7	72.5	90.8	74.3
1876	86.3	74.4		
1878	88.8	77.8		
1879	91.3	82.9		
1880	91.8	90.5	83.8	82.6
1881	92.6	82.8		
1882	95.3	82.4		
1883	96.9	83.3	99.7	85.7
1884	97.7	85.9		
1885	98.5	90.0		
1886	97.8	98.2	99.1	99.5
1887	97.8	98.1		
1888	98.6	97.8		
1889	99.2	96.6	99.3	96.7
1890	99.6	94.8		
1891	100.0	100.0	100.0	100.0
1892	99.7	98.4		
1893	100.3	100.8	100.7	101.2
1894	100.2	98.3	106.7	104.7
1895	96.7	99.4	97.7	100.3
1896	97.4	102.0	96.5	101.0
1897	98.5	105.7		
1898	98.2	104.5		
1899	99.0	102.7	107.9	111.9
1900	100.2	103.1	104.0	116.3
1901	103.1	104.5		
1902	104.8	102.1		
1903	108.2	100.0	131.7	121.6

1. U. S. Bureau of Census Returns - Statistics of Income - 1904

Per Capita Income in Each of Four Classes of Income¹

Year	IV	III	II	I	IV A.	III B.	II C.	I C.
1916	\$ 971	\$8,295	\$53,535	\$355,239	\$ 887	\$7,796	\$59,315	\$333,871
1917	1,142	9,872	56,579	328,510	888	8,216	47,908	278,163
1918	1,356	9,814	40,987	266,947	880	7,091	30,451	198,326
1919	1,471	11,954	50,128	262,766	818	7,551	32,936	172,645
1920	1,692	12,556	42,881	190,322	832	6,954	24,658	109,443
1921	1,437	8,501	38,840	151,552	835	5,078	23,299	90,913
1922	1,441	11,197	45,993	219,648	906	7,027	28,603	136,597
1923	1,601	11,918	47,409	215,923	990	7,419	29,355	133,698
1924	1,608	12,832	52,995	262,125	991	7,998	32,957	163,013
1925	1,646	15,126	67,479	376,479	992	9,229	41,121	229,420
1926	1,699	14,861	66,531	391,762	1,019	9,073	40,617	239,171

A. Amt. in current dollars divided by weighted average indices per urban employment

B. " " " " " " index for \$5,000. - \$25,000. class

C. " " " " " " " " \$25,000.

1. News Bulletin, National Bureau of Economic Research, Inc.
No. 34, Nov. 8, 1929, Pgs. 2,3, New York, 1929

THE HISTORY OF THE UNITED STATES

The first part of the history of the United States is the period from the discovery of the continent by Christopher Columbus in 1492 to the establishment of the first permanent settlements. This period is characterized by the exploration of the continent by Spanish, French, and English explorers, and the establishment of the first permanent settlements by the English in 1607. The second part of the history is the period from the establishment of the first permanent settlements to the American Revolution in 1776. This period is characterized by the growth of the colonies, the struggle for independence, and the establishment of the United States as a new nation. The third part of the history is the period from the American Revolution to the present. This period is characterized by the growth of the United States, the expansion of its territory, and the development of its political and economic system.

The history of the United States is a story of growth, expansion, and development. It is a story of the struggle for independence, the establishment of a new nation, and the growth of a great power. The history of the United States is a story of the American dream, of the pursuit of happiness, and of the pursuit of a better life for all.

The history of the United States is a story of the American people, of their struggles, and of their achievements. It is a story of the American spirit, of the American dream, and of the American way of life.

The whole scheme of distribution is skewed or twisted in such a way as to constitute a problem in itself.

In material comforts undoubtedly, the people of this generation are better off than those of earlier days. The work of settlement in which so many of our forefathers were engaged was laborious and exhausting; food was often scarce; disease was rife in many settlements, and women and children suffered greatly. Speaking generally, money wages have risen with minor interruptions since the Colonial period, while prices have fluctuated irregularly. In the last quarter of the 19th century, there was a steady and notable increase in the real wages of labor. In the first 15 years of the 20th century, however, money wages in the United States, as elsewhere, failed to keep pace with the persistent rise of the price level, so that the wage earner lost some ground. Despite the further rise of prices brought about by the inflation attending the World War, labor managed with remarkable tenacity, to hold its relative position so that the subsequent fall of prices meant another advance in the real wages of labor. More significant is the advance in the real economic position of actual wage earners. But poverty, nevertheless, remains. Certain English investigators show that well toward the end of the 19th century, more than one-fourth of the population of London and York were below the poverty line. An American writer has estimated that 10 million persons in the United States are in poverty, not all in distress, but much of the time under-fed, poorly clothed and improperly sheltered. The estimate is based on statistics of unemployment, returns of boards of charity, court records of eviction and pauper burials. Whatever the correct figures may be, they would doubtless be startling in comparison with statistics of

The whole scheme of distribution is based on the fact that a man is not a machine, and that he is not a slave. He is a human being, and he has the right to live and to work for his own good. In a free society, the distribution of goods and services should be based on the principle of justice, and not on the principle of profit. The government should ensure that the basic needs of all its citizens are met, and that the distribution of wealth is fair and equitable. This is the only way to achieve a truly just and free society.

our industrial progress.

NEED OF SOCIAL JUSTICE

Social and charitable workers were the first to see the necessity of new conditions and to advocate the beginning of their convictions. This was as might have been expected, for the reason that their work and daily activities brought them into contact with the economic and social evils of the prevailing wage system. They soon discovered that poverty, dependence and delinquency were the inevitable outgrowth of conditions existing as an outcome of the unjust distribution of worldly goods. However kind and merciful and valuable the works of the charitable, and the efforts of those who would raise up again the pauper and the vagrant, they are not remedial. In so far as the work of the charitable is devoted to reclamation and not to prevention, it is a failure. Not that any one could wish that less were done in the direction of reclamation. The fact only is important that the effort is less powerful and then not overcoming the forces which undermine the workers and those who are striving against insurmountable difficulties. It is a hopeless task to regenerate the degenerate, especially when, if the latter are to succeed, they must be able to take up again the battle with its very destructive forces which are all the time undermining stronger, more capable, and more self reliant men than they. The all-necessary work to be done is not so much to reclaim a class which social forces are ever active in producing, as it is to battle with the social or economic forces which are continuously producing recruits to their class. The forces producing the miseries and

NEED OF SOCIAL JUSTICE

Social and charitable workers were the first to see the necessity of new conditions and to advocate the beginning of their convolutions. This was as might have been expected, for the reason that their work and daily activities brought them in contact with the economic and social evils of the prevailing wage system. They soon discovered that poverty, dependence and delinquency were the inevitable outgrowth of conditions existing as an outcome of the unjust distribution of worldly goods. However kind and meritorious and valuable the work of the charitable, and the efforts of those who would raise up again the pauper and the vagrant, they are not remedial. In so far as the work of the charitable is devoted to reclamation and not to prevention, it is a failure. Not that any one could wish that less were done in the direction of reclamation. The fact only is important that the effort is less powerful and then not overcoming the forces which undermine the workers and those who are striving against insurmountable difficulties. It is a hopeless task to regenerate the degenerate, especially when, if the latter are to succeed, they must be able to take up again the battle with its very destructive forces which are all the time undermining stronger, more capable, and more self-reliant men than they. The all-necessary work to be done is not so much to reclaim a class which social forces are ever active in producing, as it is to battle with the social or economic forces which are continuously producing recruits to their class. The forces producing the classes and

vagrancies are many, but none are so important as those conditions of working and living which are so unjust and degrading that men are driven by them into degeneracy. When the uncertainties, hardships, trials, sorrows, and miseries of a self-supporting existence become so powerful that good, strong self-reliant men and women are forced into pauperism, then there is but little use in trying to force the paupers and vagrants back into the struggle. It is not necessary to debate the relative importance of individual or social forces, or of heredity or environment, upon the extent, in order to prove that social forces are constantly and everywhere active in bringing poverty to the great mass of people. Leaving all such questions out of the discussion, we can nevertheless be certain that obstacles can be too great for even the strongest of men to overcome. And this is almost principally what happens to the masses in poverty. As a class, they have the longest hours of work, the lowest pay -- often not even living wages; they have competition of the severest kind to face -- unskilled workers from every land have come to seek employment; they have been oppressed by sweating methods, and employment is irregular; and tenements are the most unsanitary, and their rents relatively the highest that any class pay; the prices for food and fuel are exorbitant, because they buy in small quantities; when they find it necessary to go into debt, they are fleeced by loan sharks. They are most often ill; they bear the burden of more deaths than any other class, and being without savings, they are in actual distress as soon as they are unable to work, as soon as they are unemployed as a result of

vegetables are many, but none are so important as the potato -
the food of workers and living which is so much and so long
that it is given by the state department. When the water-
calculus, however, is small, however, and the number of a half-
vegetable existence is so small that it is not worth a half-
penny and is not worth the trouble of being taken, then there is
but little and is tried to take the potato and vegetable bank
into the market. It is not necessary to discuss the relative
importance of individual or social forces, or to identify or en-
vironment, even the extent, in order to prove that social forces
are constantly and everywhere active in affecting every part of the
great mass of people. Leaving all such questions out of the dis-
cussion, we can nevertheless be certain that potatoes can be too
great for even the strength of men to overcome. And this is al-
ways true, especially when we come to the masses in poverty. As a
rule, they have the longest hours of work, the lowest pay -- of-
ten not even living wages; they have the heaviest burden of the
thing to do -- multiplied with every day and every hour as
each employment; they have been oppressed by despotic methods,
and employment is irregular; and women and the most men-
tally and their rents relatively the highest and the most men-
the prices for food and fuel are exorbitant, because they pay in
small quantities; when they live it is necessary to go into debt,
they are placed in loan shanties, they are often ill; they
bear the burden of some debts, some other debts, and being
without savings, they are in constant danger of being driven
unable to work, as soon as they are unemployed as a result of

economic or other causes. Furthermore, the children are prevented from having opportunities to master the difficulties which ruined their fathers. They are early pressed to do a man's labor and are often ruined physically and oppressed in other ways, by this early and unnatural toil. These conditions are particularly applicable to bituminous coal miners and textile workers.

Charles Booth has said (and most economists agree with him) that the modern system of industry will not work without some unemployed margin, some reserve of labor; if it is necessary that for long periods of time large stagnant pools of adult efficient labor-power must lie rotting in the bodies of their owners, unable to become productive of any form of wealth, because they cannot get access to the material of production; and if at the same time facing them in equal idleness are unemployed or under-employed masses of land and capital, mills, mines, etc., which taken into conjunction with this labor-power, are theoretically competent to produce wealth for the satisfaction of human wants, -- as these things are essential, as they are to our modern system of production, then the poverty of this large mass of workers must continue unrelieved until the system itself is re-organized.⁽¹⁾

Labor creates everything in this world. True, labor, in creating everything, must have capital to assist it, but capital could not exist without labor, and therefore it is the belief of the just-minded that labor has a prior right, and as labor creates

(1) Robert Hunter - Poverty, Conclusion, p. 329

...of other ...
...from having ...
...they are very ...
...and often ...
...by this ...
...to ...

...and most ...
...that the ...
...some ...
...very ...
...in the ...
...of any ...
...the material ...
...in ...
...of ...
...with this ...
...for the ...
...as they ...
...the ...
...until the ...

...in ...
...and have ...
...and ...
...that ...

capital, it is the duty of capital to see that they act promptly with labor, to see that labor will have in this world, not only a living wage; because organized labor is not going to talk about a living wage any more. Has not a living wage been more or less a curse for the workers of this country? A living wage means a way to pay your way for today, and it means that if you are compelled, through sickness or other misfortune, to stop work, and are out of employment for a few weeks, you will be next door to the poor house.

Labor is going to demand more than a living wage. People want to live dignified lives in this country, and they are entitled to lead more dignified lives in the future than they have led in the past; and does any just-minded citizen question that labor has earned it?

...it is the duty of capital to do this, not to
...to see that labor will have its share, and
...a living wage: because organized labor is not going to take
...a living wage any more. Has not a living wage been won
...a time for the workers of this country? A living wage
...a way to pay your way for labor, and it means that if you
...are organized, that the chances of other workers, to stop
...and are not of consequence for a few weeks, you will be sent
...to the workhouse.

I am in favor of having more than a living wage. People
want to live better lives in this country, and they are
...to have some dignified lives in the homes where they have
...and does any just-minded citizen question that
labor has earned it?

PART III

LABOR'S NEW STATUSSo-called "Law of Supply and Demand"

Very little attention, in a practical way, had been given, prior to 1914, to the human and ethical elements in the wage problem. Laborers' value was generally looked upon and determined in the same way as that of purely physical commodities, such as wheat, coal, iron, textiles and steel products.

From this point of view, the rate of pay to industrial workers at any time, was to be determined by placing the supply of labor against the demand of labor. The going price for labor was the result. In the event of any dislocation or collapse in industry, the wage-earners were the residual sufferers. The events arising from unrestricted competition such as prevailed in the coal mining industry before 1900, price wars in iron and steel manufacture and other basic industries were the creation of a constant over-supply of unskilled and semi-skilled workers.

It is no cause for wonderment that industrial workers under the influence of these conditions and pronouncements, came to look upon the theoretical and practical economics, especially in regard to wage-fixing, as a "dismal science of despair." According to its principles, as practiced prior to the war, they were without hope, or any rational basis of procedure. Theoretically, the only opportunities for advancement lay: (1) in reducing competition so as to permit the accumulation of a greater volume of profits and capital for future industrial expansion; (2) in

producing goods faster than the labor supply increased; (3) in reducing the birth rate, or (4) in the visitation of pestilence, earthquakes or some other national catastrophe, or even war itself; any of which chance happenings would decimate the labor supply and thus give to wage-earners afterwards, a greater advantage in fixing the price of their labor.

The only effective program from a laborer's standpoint, manifestly, seemed to them to be in the movement in organizations and in the use of concerted economic power, so far as could be developed. As a consequence, the more skilled wage-earner turned his energies toward organization and the exercise of economic strength, as most effective in securing higher wages. Craft unionism rapidly developed among the building workers, in the metal trades, in clothing manufacture, among engineers and train crews and shop employers, among conductors and motormen on electric traction trains. Industrial unionism also gained strength in the coal mine industry and, to a certain extent, in the manufacture of clothing.

Unskilled or common laborers, as a rule, were the defenseless victims of the unhampered forces of supply and demand. Their deplorable condition arose from the difficulty of organization and the consequent impossibility of concerted resistance.

As the organization of the classes of wage-earners developed, it was followed by a similar procedure on the part of employers. Collective action was met with collective action. Wage determination virtually became the result of a test of actual or potential economic strength.

producing more than the labor supply (estimated) (2) in reducing the birth rate, or (3) in the violation of conditions, or some other rational condition, or even war. It is any of these causes which would decide the issue. Supply and demand give to wage-earners a position, a position of advantage in fixing the price of their labor.

The only effective program from a laborer's standpoint, necessarily, seemed to him to be in the movement in organizations and in the use of organized economic power, as far as could be developed. In a consequence, the more skilled wage-earner turned his energies toward organization and the creation of economic strength, as best effective in securing higher wages. Trade union activity developed among the skilled workers, in the metal trades, in electrical manufacturing, among engineers and train men and longshoremen, among conductors and engineers on electric lines and station men. Industrial unions also gained strength in the coal-mining industry and, to a certain extent, in the construction of highways.

Unskilled or common laborers, as a rule, were the defenseless victims of the unorganized forces of supply and demand. Their economic position arose from the difficulty of organization and the consequent inability of organized resistance.

As the organization of the classes of wage-earners developed, it was followed by a similar procedure on the part of employers. Collective action was not taken until the result of a mass of actual or potential economic strength.

Some of the principal industries, such as textiles in all its branches, as well as clothing manufacture, largely depended upon women and child labor, and were characterized by exceptionally low wage levels. In communities where other basic industries such as iron and steel manufacture and coal mining were localized, secondary industries were established with the object of taking advantage of the low wage standards, by securing cheap women and child labor from their families. "The centralizing of cigar and "stogie", candy, paper boxes, clothing, and millinery manufacturing in Pittsburgh and other steel manufacturing centers, and of hosiery, knit goods, and silk manufacturing in the anthracite coal-mining fields, and of shoe factories in bituminous coal-mining areas, were examples of this general tendency."¹

THEORY OF INCREASED PRODUCTIVITY EFFICIENCY

During the period immediately preceding the great war, or during the years 1913-1915, another wage theory was also developed, which, although then unaccepted, had a fundamental and far-reaching effect upon future thinking and action. It was known at the time, and later, as the "theory of increased productivity efficiency." When first put forth, it was attacked as academic and visionary, but later, it was accepted by organized labor as the fundamental feature of its constructive wage policy, and finally became the basis of the revolutionary program of industry itself after the World War. For these reasons, its origin and development are of great interest.

1. Bureau of Labor - "Women and Child Wage-Earners in the U.S.", Senate Document no. 645, 61st Congress, Second Session

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1. Bureau of Labor - "Women and Child Wage-Earnings in the U.S." General Statement no. 1-2, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 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3893, 38

After our entrance into the conflict, however, by mutual agreement between capital and labor, the general procedure was adopted of maintaining the pre-war purchasing power of wages by periodic changes in rates of pay, according to the fluctuations in the cost of living. In general terms, therefore, it may be said that the war period practically constituted an interregnum in the development of principles and standards of wage determination. The presidential proclamation created a national war labor board in which the recognition of the living wage standard was made mandatory upon its deliberation. After the Armistice, the pre-war agitation for the adoption of the new wage theory was renewed with unprecedented vigor. The ardor for the recognition of advanced wage principles was also further intensified by certain programs for industrial democracy which were a natural outgrowth of the war time movement for a wider expansion of democracy. But there were no radical changes in theory or practice until after the industrial and financial breakdown of 1920-1921, and the resultant period of depression. It was the effort to revive prostrate trade and industry of the country that finally led to the new economic regime through which the country has been passing since the year 1922. Up to the beginning of that year, a policy of wage deflation and a general reduction in costs had been adopted in the attempt to revivify trade and industry and place the country again on a prosperity basis. This procedure was unsuccessful. Labor was very tenacious in holding on to its wage gains of the war years. A multitude of strikes ensued and the cost of living dropped before wages.

After the outbreak into the country, however, it was
agreement between the two sides, the general procedure was
subject of maintaining the two sides in the process of
periodic changes in order of day, according to the fluctuations
in the cost of living. In general terms, therefore, it was the
aim that the two sides should practically maintain an equilibrium
in the development of their respective and interests of the community
and. The general principle provided a national and labor
peace in which the recognition of the living wage standard was
and therefore upon the deliberation. After the conclusion, the
two sides agreed for the adoption of the new wage level and the
peace and unprecedented effect. The labor for the recognition of
the new wage standard was the first step in the process of
progress for industrial democracy which was a national objective
of the war time government for a wider expansion of democracy. But
there were no industrial changes in the way of expansion until after
the outbreak of the financial downturn of 1931-1932, when the
coldest period of depression. It was the effort to revive pro-
duction and industry of the country that finally led to the
new economic regime known as the New Deal and New Deal
since the year 1933. Up to the beginning of that year, leading
of wage deflation and a general reduction in costs and when wage-
less in the attempt to revive trade and industry and when the
country again on a prosperity basis. This procedure was the
result. Labor and very technique in holding on to the very gains
of the war years. A substantial of which was the cost of
living dropped below wages.

The new industrial era, or the general underlying constructive program was inaugurated by a group of industrialists and public officials of which one of the chief spokesmen was Sec. of Commerce, Herbert Hoover. In the early part of 1923, Mr. Hoover took issue with those who, since 1920, had adopted the fallacious and negative slogan of "a return to normalcy" in the sense of a deflation of wages and prices to a pre-war level. He contended that the road to plenty did not lie in that direction. "We must get our minds away," he said, "from the notion that pre-war standards of living and volume of business would be normal now. Normalcy is a vastly higher and more comfortable standard than 1913." He then went on to say that industry during the past decade had shown an unparalleled growth in productive efficiency. Volume had been increased; labor had been more productive; higher rates of pay had been made possible, and this, in turn, had enabled industrial workers to purchase more of the necessities and comforts of life. It was evident that prosperity was contingent upon further improving these living standards, as labor would consume more of it, could produce more and received higher compensations. Among the recommendations to industry were: the elimination of waste, the standardization of output, the increased use of machines to extend mass production methods and to reduce labor and other costs of production. Under these conditions, wage rates might be indeterminately increased, labor and other costs, as well as prices to consumers, reduced, and at the same time, generous margins of profits maintained.

As a result of the influence of these new suggestions, an era of unprecedented prosperity began and developed. Industrial leaders and financeers, as well as heads of labor organizations,

accepted the new and enlightened and far-seeing attitude, and the new proposals were enthusiastically applied.

Old wages, theories, and standards were therefore, scrapped along with obsolete machinery and methods. The productivity principle of wage determination became dominant. Many rates of pay and wages within a few years advanced to the highest point in the history of the country. But as yet, however, despite the extraordinary industrial development which occurred, no general, practical method was worked out for guaranteeing to labor a definite share in the increased efficiency of industry. This remains to be done. Thus, industry itself has been firmly committed to the new wage theory. They began to change from a status of theoretical acceptance to one of practical application. Both theoretically and practically, they are supported by enlightened public opinion.

Aside from wages, this revolution in industrial thoughts and methods has developed fundamental problems of its own. The unprecedented machine which has been created must be coordinated in its own workings. Enormous numbers of men who have been replaced by conservatively few machines must be put to work, by lessening hours without lowering wages, and thereby employing more shifts. In addition, production and consumption must be properly adjusted, not only in individual industries, but industry as a whole must be coordinated, so that it may be stabilized by industrial planning of output, and recurrent periods of retardation and unemployment prevented. Now, this is a most delicate as well as vital problem and must be dealt with in a constructive way, as soon as possible.

Official and general sanction of the point of power, that labor was not a commodity, was established. This was done by Congress in 1916. Under the provisions of the so-called Clayton Act, passed in that year, it was declared that "labor was not a commodity or article of commerce". The public declaration was a vast stride forward to the distant goal of industrial and social history. It brought to the front the social and human side of the wage problem and repudiated the theories that the price of labor is, as in the case of ordinary commodities, determined solely by the law of supply and demand. The obvious conclusion was that the question of humanity, as well as social and civic effects, must be taken into consideration in fixing the compensation of industrial workers. The embodiment of this fundamental principle in a Federal Statute, aside from those bearing upon the legal status of labor organizations, had a stimulating effect upon public opinion and upon the public attitude towards the wage problem, and really signalized the breaking away from the old viewpoints in connection with wage theories and the compensation of labor.

LABOR'S DEBT TO SOCIAL WORKERS

Social workers, in their studies of the status of wage earners, found that among families in the lowest industrial scale, the requirements of physical life alone, in food, shelter, clothing and fuel, necessitated a certain minimum family income, and when the collective earnings of the husband, wife and children fall below the ability to satisfy these bare animal necessities, the family becomes a public charge. The earnings of the head of the family, it was therefore concluded, would never, under any conditions,

Official and general sanction of the point of power, labor was not a commodity and establishment. This was done by Congress in 1890. Under the provisions of the so-called Clayton Act, passed in that year, it was declared that "labor was not a commodity or article of commerce". The public declaration was a vast stride forward in the history of industrial and social history. It brought to the light the social and human side of the wage problem and reestablished the position that the value of labor is not in the use of ordinary commodities, determined solely by the law of supply and demand. The obvious conclusion was that the question of humanity, as well as social and civic interests, must be taken into consideration in fixing the remuneration of industrial workers. The establishment of this fundamental principle in a Federal statute, which has been binding upon the legal status of labor organizations, has a stabilizing effect upon social conditions and upon the attitude toward the wage problem, and really eliminated the disturbing area from the old viewpoint in connection with wage problems and the organization of labor.

LABOR'S BEST SOCIAL POLICY

Partial success, in their studies of the history of wage rates, found that some families in the lowest industrial areas, the representatives of physical life alone, in food, shelter, clothing and fuel, necessitated a certain minimum family income, and then the collective earnings of the household, with sufficient help from the ability to conduct these bare actual necessities, the family becomes a family group. The meaning of the word of the law, it was therefore established, which never, under any conditions,

be less than sufficient to cover the requirements of minimum family subsistence.

Now, the next step was to find out what advantages and earnings actually possessed, and to compare them with these minimum requirements. This comparison revealed the astounding fact that, among the multitude of unskilled American workers, average earnings were generally inadequate; in other words, that the heads of families could not provide their families with a bare physical subsistence. Equally startling was the discovery also, that even this was difficult when the wages of the head of the family were supplemented by the earnings of the children who should have been in school, and by the contributions of wives and mothers who, instead of engaging in outside employment or taking boarders and lodgers in the home, should have had their energies free to devote exclusively to their children and their households. It was therefore apparent that competition, or the free play of the forces of supply and demand, in determining wages for these classes should be so checked that the lowest wage rates should not fall below the danger point -- the point where the wage earner and his family could not satisfy elemental subsistence needs. The budgetary facts disclosed by the United States Bureau of Labor in 1901, were of great value to those which followed, principally to private auspices, for the direct purpose of showing the minimum cost of proper subsistence of wage earners and their families. In a general study of more than 25,000 families of wage earners in all parts of the country, including for the most part, a very large proportion of native white and older immigrant families, the average annual family income amounted to \$750.

be less than sufficient to cover the requirements of minimum family subsistence.

Now, the next step was to find out what advantages and

disadvantages actually possessed, and to compare them with these various requirements. This comparison revealed the following facts: first, among the millions of unskilled American workers, advantages were generally neglected; in other words, that the

possibilities of betterment could not provide their families with a bare practical subsistence. Actually, starting with the discovery also, that even this was difficult when the wages of the head of the

family were supplemented by the earnings of the children and should have been in actual, and by the contributions of wives and mothers who, instead of engaging in outside employment or taking boarders and lodgers in the home, should have had their energies free to devote exclusively to their children and their household.

It was therefore apparent that competition, on the one hand, and the forces of supply and demand, in determining wages for these

classes should be so checked that the lowest wage rates should not fall below the danger point -- the point where the wage earner

and his family could not satisfy elemental necessities. The

budgetary laws disclosed by the United States Bureau of Labor in 1901, were of great value to those who followed, principally to

private agencies, for the direct purpose of assisting the working

cost of proper subsistence of wage earners and their families. In a general study of more than 25,000 families of wage earners in all parts of the country, including for the most part, a very large proportion of native white and older immigrant families, the average

annual family income amounted to \$150.

"The most exhaustive private study of budgetary facts was made by Dr. Chapin in 1907. His conclusion was that in 1907, an income of \$900, for a wage earner's family, probably permitted the maintenance of a normal standard, at least so far as the physical man is concerned."¹

FAMILY INCOME CHART ²

Annual Family Income	\$400. 599.	\$600. 799.	\$800. 899.	\$900. 1099.	\$1100. & over
Per cent of families underfed	76	32	22	9	0
" " " " underclothed	88	57	32	18	6
" " " " overcrowded	68	58	53	36	21
" " " " underfed and underclothed	68	16	10	2	0

Dr. Chapin's conclusions were verified by many authorities, including the New York Factory Investigating Commission. In 1914, the minimum budget for a textile worker's family in Philadelphia was estimated at \$1071. In 1915, the Chicago railway conductors and motor men, in the course of arbitration proceedings, claimed \$1,210. a year was the essential to meet the costs of the minimum requirements of their families.

In summary, the significant point which stands out in connection with the development of the principles and methods of wage determination, is that in the decade preceding the World War, a large share of opinion supported by budgetary estimates prepared under public auspices, had as a rule fixed upon some range

1. W. Jett Jauck - The New Industrial Revolution and Wages,
2. idem Chapt. 2, p. 22

"The most extensive private study of highway traffic

has been by Dr. Joseph E. Bickel, his conclusions are set in 1907,

in 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917,

the influence of a single standard, as shown in the following

local map is contained."

TABLE IV - TRAFFIC

1900	1905	1910	1915	1920	1925	1930	1935	1940	1945	1950	1955	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070	2075	2080	2085	2090	2095	2100	2105	2110	2115	2120	2125	2130	2135	2140	2145	2150	2155	2160	2165	2170	2175	2180	2185	2190	2195	2200	2205	2210	2215	2220	2225	2230	2235	2240	2245	2250	2255	2260	2265	2270	2275	2280	2285	2290	2295	2300	2305	2310	2315	2320	2325	2330	2335	2340	2345	2350	2355	2360	2365	2370	2375	2380	2385	2390	2395	2400	2405	2410	2415	2420	2425	2430	2435	2440	2445	2450	2455	2460	2465	2470	2475	2480	2485	2490	2495	2500	2505	2510	2515	2520	2525	2530	2535	2540	2545	2550	2555	2560	2565	2570	2575	2580	2585	2590	2595	2600	2605	2610	2615	2620	2625	2630	2635	2640	2645	2650	2655	2660	2665	2670	2675	2680	2685	2690	2695	2700	2705	2710	2715	2720	2725	2730	2735	2740	2745	2750	2755	2760	2765	2770	2775	2780	2785	2790	2795	2800	2805	2810	2815	2820	2825	2830	2835	2840	2845	2850	2855	2860	2865	2870	2875	2880	2885	2890	2895	2900	2905	2910	2915	2920	2925	2930	2935	2940	2945	2950	2955	2960	2965	2970	2975	2980	2985	2990	2995	3000	3005	3010	3015	3020	3025	3030	3035	3040	3045	3050	3055	3060	3065	3070	3075	3080	3085	3090	3095	3100	3105	3110	3115	3120	3125	3130	3135	3140	3145	3150	3155	3160	3165	3170	3175	3180	3185	3190	3195	3200	3205	3210	3215	3220	3225	3230	3235	3240	3245	3250	3255	3260	3265	3270	3275	3280	3285	3290	3295	3300	3305	3310	3315	3320	3325	3330	3335	3340	3345	3350	3355	3360	3365	3370	3375	3380	3385	3390	3395	3400	3405	3410	3415	3420	3425	3430	3435	3440	3445	3450	3455	3460	3465	3470	3475	3480	3485	3490	3495	3500	3505	3510	3515	3520	3525	3530	3535	3540	3545	3550	3555	3560	3565	3570	3575	3580	3585	3590	3595	3600	3605	3610	3615	3620	3625	3630	3635	3640	3645	3650	3655	3660	3665	3670	3675	3680	3685	3690	3695	3700	3705	3710	3715	3720	3725	3730	3735	3740	3745	3750	3755	3760	3765	3770	3775	3780	3785	3790	3795	3800	3805	3810	3815	3820	3825	3830	3835	3840	3845	3850	3855	3860	3865	3870	3875	3880	3885	3890	3895	3900	3905	3910	3915	3920	3925	3930	3935	3940	3945	3950	3955	3960	3965	3970	3975	3980	3985	3990	3995	4000	4005	4010	4015	4020	4025	4030	4035	4040	4045	4050	4055	4060	4065	4070	4075	4080	4085	4090	4095	4100	4105	4110	4115	4120	4125	4130	4135	4140	4145	4150	4155	4160	4165	4170	4175	4180	4185	4190	4195	4200	4205	4210	4215	4220	4225	4230	4235	4240	4245	4250	4255	4260	4265	4270	4275	4280	4285	4290	4295	4300	4305	4310	4315	4320	4325	4330	4335	4340	4345	4350	4355	4360	4365	4370	4375	4380	4385	4390	4395	4400	4405	4410	4415	4420	4425	4430	4435	4440	4445	4450	4455	4460	4465	4470	4475	4480	4485	4490	4495	4500	4505	4510	4515	4520	4525	4530	4535	4540	4545	4550	4555	4560	4565	4570	4575	4580	4585	4590	4595	4600	4605	4610	4615	4620	4625	4630	4635	4640	4645	4650	4655	4660	4665	4670	4675	4680	4685	4690	4695	4700	4705	4710	4715	4720	4725	4730	4735	4740	4745	4750	4755	4760	4765	4770	4775	4780	4785	4790	4795	4800	4805	4810	4815	4820	4825	4830	4835	4840	4845	4850	4855	4860	4865	4870	4875	4880	4885	4890	4895	4900	4905	4910	4915	4920	4925	4930	4935	4940	4945	4950	4955	4960	4965	4970	4975	4980	4985	4990	4995	5000	5005	5010	5015	5020	5025	5030	5035	5040	5045	5050	5055	5060	5065	5070	5075	5080	5085	5090	5095	5100	5105	5110	5115	5120	5125	5130	5135	5140	5145	5150	5155	5160	5165	5170	5175	5180	5185	5190	5195	5200	5205	5210	5215	5220	5225	5230	5235	5240	5245	5250	5255	5260	5265	5270	5275	5280	5285	5290	5295	5300	5305	5310	5315	5320	5325	5330	5335	5340	5345	5350	5355	5360	5365	5370	5375	5380	5385	5390	5395	5400	5405	5410	5415	5420	5425	5430	5435	5440	5445	5450	5455	5460	5465	5470	5475	5480	5485	5490	5495	5500	5505	5510	5515	5520	5525	5530	5535	5540	5545	5550	5555	5560	5565	5570	5575	5580	5585	5590	5595	5600	5605	5610	5615	5620	5625	5630	5635	5640	5645	5650	5655	5660	5665	5670	5675	5680	5685	5690	5695	5700	5705	5710	5715	5720	5725	5730	5735	5740	5745	5750	5755	5760	5765	5770	5775	5780	5785	5790	5795	5800	5805	5810	5815	5820	5825	5830	5835	5840	5845	5850	5855	5860	5865	5870	5875	5880	5885	5890	5895	5900	5905	5910	5915	5920	5925	5930	5935	5940	5945	5950	5955	5960	5965	5970	5975	5980	5985	5990	5995	6000	6005	6010	6015	6020	6025	6030	6035	6040	6045	6050	6055	6060	6065	6070	6075	6080	6085	6090	6095	6100	6105	6110	6115	6120	6125	6130	6135	6140	6145	6150	6155	6160	6165	6170	6175	6180	6185	6190	6195	6200	6205	6210	6215	6220	6225	6230	6235	6240	6245	6250	6255	6260	6265	6270	6275	6280	6285	6290	6295	6300	6305	6310	6315	6320	6325	6330	6335	6340	6345	6350	6355	6360	6365	6370	6375	6380	6385	6390	6395	6400	6405	6410	6415	6420	6425	6430	6435	6440	6445	6450	6455	6460	6465	6470	6475	6480	6485	6490	6495	6500	6505	6510	6515	6520	6525	6530	6535	6540	6545	6550	6555	6560	6565	6570	6575	6580	6585	6590	6595	6600	6605	6610	6615	6620	6625	6630	6635	6640	6645	6650	6655	6660	6665	6670	6675	6680	6685	6690	6695	6700	6705	6710	6715	6720	6725	6730	6735	6740	6745	6750	6755	6760	6765	6770	6775	6780	6785	6790	6795	6800	6805	6810	6815	6820	6825	6830	6835	6840	6845	6850	6855	6860	6865	6870	6875	6880	6885	6890	6895	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from \$800. to \$900. per annum as the annual income which an unskilled laborer and his family should receive in order to maintain a bare physical subsistence, and, as a consequence, the fixing of wages so as to yield at least this income was publicly advocated, despite the fact that, under contemporaneous conditions, the family income of industrial workers was, as a rule, much less. The Federal Immigration Commission investigated 15,726 working men's families in 1908-1909, in all branches of industry and in all sections of the country, and found an average family income of only \$720. per year. In iron and steel manufacturing, the average income was only \$568., in bituminous coal mining \$577., in anthracite coal mining \$618., in silk mills \$635., in woolen and worsted mills and sugar refining, only \$681., and in leather manufacturing only \$671. The Russell Sage Foundation, in 1908, found the annual average income of steel workers in Homestead, Pennsylvania, to be only \$349.; and in 1909-1910, the University of Chicago settlement in the stock yards district, reported the families of workers, principally of races of recent immigration, to have a yearly income of \$442. The results of all of these investigations, moreover, showed family incomes as collective results of the earnings of husband, wives and children, and were not based on the earnings of the family head alone.

The revelations brought out the most significant fact -- that the prevailing method of determining wage rates, viz., under the more or less unrestricted law of supply and demand must be supplanted by some other principle, not only in the interests of social justice, but for the economic well being of all people. Public opinion must be enlisted to make it possible for the wage

earner himself to earn a minimum income commensurate with the subsistence level and further elaborate it so that his children might remain in school and his wife might follow her normal life as wife and mother.

Industries which did not have a wage scale in conformity with these minimum subsistence standards were denounced parasitic to public welfare.

WAGE SCALES AND REQUIRED STANDARDS OF LIVING ¹

A. Subsistence Level	Date	Amount
(1) Wage earners' budgets in New York City	1906	\$836.25
(2) Standard of living in New York City	1907	900.00
(3) Family Budgets in Chicago, stock yards district, Prof. J.C. Kennedy	1914	733.62
(4) Costs & standards of living in N.Y., State Factory Investigation Commission	1914	876.46
(5) Cost of living, laborer's family, N.Y.C., Bureau of Personal Service	1917	980.42
B. Minimum Health & Comfort Level		
(1) Minimum budgetary estimate for Pacific coast -- Dr. Jessica B. Peixotto, Univ. of California	1917	\$1,476.40
(2) Budget awarded in Seattle & Tacoma St. Ry. arbitration	1917	1,505.60

1. W. Jett Lauck - The New Industrial Revolution and Wages, Chapt. 2, p. 22

earnest himself to reach a minimum income - approximately \$100 per
month - level and himself allocate it as best his children
might remain in school and his wife might follow her normal life
as wife and mother.
Industries which did not have a wage scale in 1934
also have minimum standards which were somewhat arbitrary
in their setting.

WAGE SCALES AND REQUIRED STANDARDS OF LIVING

A. Subsistence Level	Date	Amount		
(1) With earnings' progress in New York City	1935	\$452.25		
(2) Standard of living in New York City	1934	\$500.00		
(3) Family Budget in Chicago, stock yards area - first, first, J.S. Kennedy	1934	\$53.00		
(4) Cost of subsistence of liv- ing in N.Y., State Factory Investigation Commission	1934	\$70.45		
(5) Cost of living, Industrial Family, N.Y.C., Bureau of Personal Services	1934	\$60.45		
B. Minimum Health & Comfort Level				
(1) Minimum Budgetary estimate for family of four - N.Y. County & California, Calif.	1934	\$1,400.00		
(2) Budget needed in Georgia & Texas - N.Y. application	1934	\$1,500.00		

THE ECONOMY OF HIGH WAGES

In September, 1921, Herbert Hoover, then Sec. of Commerce, acting for Pres. Harding, called a conference of 50 men from different portions of the country in different walks of life, "to inquire into the volume of needed employment, the distribution of unemployment, to make recommendations as to measures which should properly be taken in speeding up employment in industry ---- and in addition, a broad study of the economic measures desirable to ameliorate the unemployment situation and give impulse to the recovery of business in common to normal."¹

At the conference, Mr. Charles M. Schwab, as well as several other members on the committee were firmly of the belief that the country could never have better times unless wages were cut horizontally. Most manufacturers felt, in 1921, that during that period of drastic economic readjustment, the continued efforts of any one group to profit beyond the requirements of safe business practice, should be condemned. Every newspaper reader knew that meant labor. Most men felt that wages would have to come down before the doldrums of 1921 could disappear. As it happened at that time, the wage cuts which followed late in the year, were interrupted by a return of prosperity, after there had been no less than 2,463 strikes due to wage cuts, a situation which did not exactly speed things along.

Labor leaders held the view that there should be adopted no policy of wage reduction. On the contrary, there should be a policy calling for the highest possible rate of wages in every industry. In terms of industrial well being, this means the

1. Roy Dickenson - Wages and Wealth, Chapt. 1, p.2

adoption of a policy of placing in the hands of all people the highest average of buying power in order that there may be the greatest possible consumption of commodities and the greatest possible consequent demand for the production of commodities. The reduction of buying power stops purchasing which in turn, inevitably stops manufacturing and creates unemployment. Thus in that year of 1921, for the first time, the theory of high wages as purchasing power was given wide publicity. It was only a few months after, that without any permanent horizontal reduction in wages, but with a great increase in money wages, our country entered upon the greatest period of prosperity it had ever known.

From a sensible point of view, the "economy of high wages" means that since there exists the technical capital to produce enough for everyone, everyone ought to have a large enough income to buy what he needs. Society should be run on the basis of large production and engineering economy rather than on the basis of minimum production and scarcity of profits. More than that, it should be run without disastrous breakdowns, because our industrial plant is set up for mass production and mass consumption. The quality and usefulness of the goods consumed also must be considered, if we regard the task as that of raising standards of living rather than merely as a selling problem. One must remember that we are concerned, not only about the wage earners' incomes, but about the white collar class and the farmers.

Although cheap labor gets less remuneration per day, its cheapness is no saving to the employers. More hands are required to do the same amount of work that better paid labor does at the same cost. It is a fortunate sign of the times that business men

are at last beginning to recognize the all important and redeeming fact that cheap labor by no means means cheap production; that, on the contrary, low cost of production and a high wage rate go hand in hand. If a high wage-rate is an impelling cause in this country, to the introduction of improvements and the adoption of labor-saving processes, the low wage-rate per day ruling elsewhere is an equally strong inducement for the continuance of rusty and antiquated methods.

A high rate of wages expresses a high rate of productivity, and its converse, a high purchasing power. A relatively high consuming power, high standard of living, is required to make the laborers efficiently strong in body and in mind. Without this, labor remains economically more or less sterile, and, of this, an adequate proof will be given in the stagnant rise in the standards of living. Employers can therefore, not possibly lose where a permanent high rate of wages rules. They cannot possibly lose under a rising rate of wages, as a rise in actual wages is only possible with a rise in productive power of labor. As J. Schoenhof points out in his writings: "a higher rate of wages than the one of a previous period simply registers the change which has gone on in the direction of employment in the economy of production. But, instead of being injured, the employer gains positively by the rise in the standard of wages through the increasing demand thereby created for the increasing product."¹

Real wages and family budgets do not give the full picture of the wage earner's economic and social position. If it is assumed that from one year to another, the real wages of the

1. J. Schoenhof - The Economy of High Wages, pp. 22-23

one of last belonging to recognize the all important and relevant
the fact that there is no means of escape from the present
that, on the contrary, the way of progress and a high wage
were to be found in the fact. It is a high wage - there is an important cause
in this country, and the introduction of labor-saving machinery and the
abolition of labor-saving machinery, the fact is - there is no way out
the situation is an equally strong inducement for the continuance
of such and similar methods.

A high rate of wage expenditure is a high rate of productivity.
and the converse, a high purchasing power. A relatively high con-
suming power, high standard of living, is needed to make the in-
crease sufficiently strong in body and in mind. Without this, labor
remains essentially more or less static, and, of late, in the
fact, it is given in the argument that in the statement of
labor, industry, and commerce, not only is there a permanent
and high rate of wage policy. They cannot possibly lose sight of
the rate of wage, as a factor in actual output is only possible
with a rise in productive power of labor. In I. Bernstein's opinion
out in the writings: "A high rate of wage is the key to a pro-
sperous future simply because the change which has come in the
direction of employment in the economy of production, and, indeed,
of being induced, the employer gains positively by the rise in the
standard of wages through the increasing demand for more workers
for the increasing product."

Real wages and living standards do not give the full picture
of the worker's economic and social position. It is in the
actual fact that one year to another, the real wages of the

manufacturing wage earner increase but 10%. That means that he can buy in the second year, 10% more commodities than in the first year. Let us assume that at the same time, production increases by 20%. This means that 20% more commodities are offered on the market. If the wage earner's real wages have increased only 10%, he cannot share the full amount of the production of 20%. It is true, he can buy 10% more commodities than he could buy the year before, but he has helped to produce 20% more commodities than all those produced the year before. His share in the increased production is one-half, the other half of his share in the operations which this greater production offers, went to other consumers in addition to their own increased share, or is not used at all; which means that a certain part of the natural product has to remain unsold, that stocks increase and that industrial prosperity is menaced. The social position of the wage earner, his share in growing opportunities, his purchasing power in relation to the national production, money wages in relation to prices and production should be calculated.

ECONOMIC STATUS OF THE U. S. - 1927¹

Class	Number	% of total pop.
Public charges	1 million	.8
Tramps, work-shy, etc.	2 "	1.7
Poverty level	7 "	5.9
Bare subsistence	12 "	10.1
Minimum for health and efficiency	20 "	16.8
Minimum for comfort	30 "	25.2
Comfort	20 "	16.8
Moderately well-to-do	15 "	12.6
Well-to-do	10 "	8.4
Liberal standards of living	2 "	1.7

1. Dr. Paul H. Nystrom - Economic Principles of Consumption,
Chapt. 11, p. 278

...the first year, but the average level at the same time, production in-
 crease by 20%. This means that 20% more commodities are offered
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 ly 10%, he cannot share the full amount of the production of 20%.
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 crease production is one-half, and other half of his share in the
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 munities in addition to their own. In other words, or is not used at
 all; which means that a certain part of the national product has to
 remain outside, and cannot be used, and that industrial productivity
 is reduced. The social position of the wage earner, who shares in
 growing opportunities, the increasing power in relation to the na-
 tional production, which makes in relation to prices and products
 also should be considered.

TABLE 1
 ECONOMIC STATUS OF THE U. S. - 1927

Class	Number	% of total pop.
Public charges	1 million	2.0
Foreign, non-aliens, etc.	"	1.7
Poverty level	7	2.9
Below subsistence	12	30.1
Minimum for health and efficiency	20	12.8
Minimum for comfort	25	20.2
Comfort	30	19.8
Modestly well-to-do	35	12.0
Well-to-do	40	8.4
Liberal standards of living	5	1.7

During prosperity, about 18.5% of the population are at the level of bare subsistence or below it, and 16.8% more, at the minimum of health and efficiency, while one-fourth are at the minimum comfort level. There is plenty of opportunity for useful goods to be purchased and sold, if only the prospective purchasers can somehow be furnished with enough money to buy them.

High wages mean sufficient employment, distribution, and progressively improved standards of living. Production advances spell more goods and more leisure -- not penury and unemployment.

On the property, about 10.00 of the population are at
the level of pure subsistence or below it, and in the town, at
the minimum of health and efficiency, while the town is at
the minimum comfort level. There is a range of opportunity for
useful goods to be purchased and sold. It only the productive
purchasers can somehow be furnished with enough money to buy
them.

High wages mean sufficient employment, satisfaction, and
productively improved standards of living. Production advances
as well as goods and more leisure -- not poverty and dissatisfaction.

PART IV

THE GREAT DEPRESSION

AND UNEMPLOYMENT

Post-war Prosperity

At the signing of the armistice, America became the great creditor nation of the world. Excess capital went partly to Europe, to loan money to its impoverished countries in order to enable them to buy enormous quantities of goods, the production of which was interrupted by the great war. The people in this country were relatively well off. People had money to spend and the cry was 'greater production of goods'. There was an enormous local market built up for commodities, the production of which had been severely curbed on account of the necessity for the production of war materials of all kinds. Thus our post-war prosperity was due to the following causes:

- (1) Demand for commodities that were not forthcoming to us during the war.
- (2) Heavy buying from European countries, with money that we lent them.
- (3) Expansion of new industries such as automobiles, radios, and other luxuries, and the ability of people to buy homes and equip them with modern home furnishings.
- (4) The adoption of the economy of high wages.

But, during the last period of prosperity, 1923-1929, we developed what looks like a fatal lack of balance between industrial production and general purchasing power. If official bodies had paid attention to this problem and provided good statistics on

THE GREAT DEPRESSION
AND UNEMPLOYMENT

Pre-war Prosperity

As the signing of the armistice, America became the great creditor nation of the world. Excess capital went out to Europe, it loaned money to the impoverished countries in order to enable them to pay reparations and to pay the cost of reconstruction. The people in this country were interested in the great war. The people in this country were relatively well off. There was an enormous increase in the production of goods. There was an enormous increase in the production of goods. The production of goods had been steadily rising on account of the necessity for the production of war materials for all kinds. There was a great increase in the production of goods.

- (1) Demand for commodities that were not forthcoming in the market.
- (2) Heavy buying from European countries, with money that was loaned to them.
- (3) Expansion of new industries such as automobiles, radios, and other luxuries, and the ability of people to buy them and keep them in their homes.
- (4) The absorption of the economy of high wages.

But, during the last period of prosperity, 1923-1929, we developed what I call a kind of balance between industrial production and general purchasing power. It is a kind of balance between industrial production and general purchasing power. It is a kind of balance between industrial production and general purchasing power.

it, we should have known more certainly what the facts really were. Half the farm incomes in purchasing power did not increase, the other half increased only slightly. Manufacturing wages in terms of purchasing power were lower in 1928 than in 1923. Mining wages were lower; transportation wages were slightly higher. Building wages were higher. Altogether, the average annual real earning of wage earners probably increased not more than 5%, from 1923-1928. They increased at the rate of not more than 1% a year.

At the same time, there was a volume of unemployment throughout these years which seemed unduly large for a prosperous period. Manufacturing, transportation, mining and agriculture all had fewer people at work in 1928 than in 1923. This further limited purchasing power. There were distributed in wages and salaries, the means of purchasing a small proportion of the commodities created and paid the rest as profits, to those who were well off. The latter had no other use for their money but to invest it as capital -- this in spite of the fact that no provision had been made to buy the output of capital equipment. Unemployment is not the result of frightening capital out of industry, but appropriating its due as wages. It results from attracting too much capital into industry by large profits which were paid at the expense of the very sinews which support the capital system -- mass purchasing power.

"If we cannot distribute the fruits of labor, let us at least distribute the effort. Shorter hours and more workers would do that; it would do more -- it would provide one of the very means we are seeking, to redistribute purchasing power. If more men were employed at the same wage to do the same work, the increased

it, we should have known more certainly what the facts really

were. But the fact appears in purchasing power did not in-

crease, the other half increased only slightly. Manufacturing

wages in terms of purchasing power were lower in 1926 than in

1927. Mining wages were lower; transportation wages were slight-

ly higher. Building wages were higher. All together, the average

annual real earnings of wage earners probably increased but not

more than 5% from 1925-1926. They increased at the rate of not more

than 1% a year.

At the same time, there was a volume of unskilled work

but these years which seemed widely large for a prosperous period.

Manufacturing, transportation, mining and agriculture all had

at least as much work in 1926 as in 1925. This fact alone

checked power. There were differences in wages and salaries, the

scale of purchasing a small proportion of the commodities that

we had the last as before, so those who were well off. The 192-

60 had no other use for their money but to invest in real estate.

At the time of the last time no provision had been made to pay

the output of capital equipment. Unemployment is not the result

of inefficient capital out of industry, but expenditure in the

in wages. It results from spending too much capital into in-

dustry by large profits which were paid at the expense of the

others which support the capital system -- that is, the

"If we cannot distribute the fruits of labor, let us at

least distribute the effort. Better work and more workers would

be that it would be like -- it would be like one of the very many

we are making, we could have produced more. It is not a new

engine, at the same time, the new work, the

distribution of buying power would swell the demand for goods, and the surplus would soon be consumed to the satisfaction and relief of everybody."¹

In 1900, 4,713,000 workmen were paid \$2,008,000,000. to manufacturing \$11,407,000,000. worth of production. Each worker secured \$426. in adding \$1,025. to the value for raw materials.

In 1909, production was valued at \$20,672,000,000. Value added to raw materials by manufacturers amounted to \$8,529,000,000. and 6,615,000 workers received in pay \$3,427,000,000. for the year. The average year's wage for each worker was \$518. and the gross value of his labor produced to his employer, \$1,289.

In 1919, the workers delivered almost 3 times as much labor production to their employers, as they did in 1900. But they still received as their remuneration, 17% of the total factories' output, as they did in 1914 and 1909. In this year of 1919, each worker's labor production was valued at \$2,757. for which he received a wage of \$1,162. It takes no statistician to figure out that the labor performed by three workers is now performed by one, aided by machinery.

Modern industry, with its large capital investment and heavy overhead charges, is to a great extent, dependent for profits upon a full volume of production. An increase in output reduces the overhead cost borne by each unit of goods produced. But, that profits per unit of goods sold should have advanced in the face of the strong competition which is assumed to have prevailed during this period, remains a curious fact. Probably this fact was due to expansion of consumers' credit. Prices were reduced, but increased

1. Roy Dickenson - Wages and Wealth, Chapt. 20, p. 149

distribution of output power which will be lower, and the 1930s would also be dependent on the distribution of output of electricity.
 In 1900, 1,113,000 workers were paid \$2,000,000,000, an annual average of \$1,900,000,000, worth of production. Each worker received about \$1.90 in value for the materials.
 In 1900, production was valued at \$2,000,000,000. Value added to the materials of manufacturing amounted to \$2,300,000,000, and 1,113,000 workers received in pay \$2,000,000,000 for the year. The average worker's wage for each worker was \$1.80, and the value of his labor produced to his employer, \$1.90.
 In 1910, the workers delivered almost twice as much labor production to their employers, as they did in 1900. But they still received an equal remuneration, 17% of the total labor's output, as they did in 1900 and 1909. In this year of 1910, each worker's labor produced was valued at \$2,700,000,000, for which he received a wage of \$1.80. It takes no statistical to figure out what the labor received by these workers is now compared to 1900, when it was \$1.80.
 Modern industry, with its large capital investment and heavy overhead charges, is to a great extent, dependent for profits on a full volume of production. An increase in output reduces the overhead cost borne by each unit of goods produced. But, that the firm can sell its goods at a profit, it must have a market for its output. Therefore, it is necessary to have a market for its output. This is a critical fact. Probably this fact was the reason for the position of consumers' surplus. Prices were reduced, the industry

sales and lowering of material and labor costs account largely for such profits. The swelling of purchasing power through the reaping of nonrecurrent but considerable speculative profits also aided in increased profits. All of this, in the face of declining prices was one of the causes of the collapse of 1929.

	(Amounts rec. (as dividends (millions of \$	(Net profits less (dividends rec. (millions of \$	(Net profits (less dividends (Relative number	(Net profits less (dividends per (unit of product (Relative num.
1922	154	1,205	100.0	100.0
1923	154	1,499	124.4	106.1
1924	145	1,462	121.3	95.1
1925	234	1,910	158.5	113.2
1926	288	2,047	169.9	112.4
1927	248	1,643	136.3	85.4
1928	330	2,047	169.9	102.3
1929	446	2,519	209.0	115.4

See Frederic C. Mills - Economic Tendencies in the U. E., p. 403
National Bureau of Ec. Research No. 21, 1932

Factory payrolls have increased 40%, while the number of workers has not quite doubled. To sum up: industrial production increased at the rate of about 4% a year, or 4 times as fast as wages. Railway ton-miles increased at the rate of about 4% a year indicating a growth of distribution parallel to the growth of the production.

Industrial profits during the period increased at the rate of 9% a year. Profits grew not only faster than wages and farm incomes, they grew faster than production and distribution of goods.

(1) It took fewer men and women to manufacture and distribute an increasing amount of goods.

(2) The wages which these workers received were lowered or raised very slightly.

(3) Cost of labor for each unit of goods greatly reduced.

(4) In consequence, there was a much larger margin between cost and gross receipts of the producing companies, which was available for profits, interest, and rent.

(5) Excess profits went to comparatively few people in forms of dividends or for luxuries. Now those comparatively few persons received the bulk of increased profits and could not possibly have purchased enough goods to absorb the great gain in aggregate production and the distribution of goods. What did they do with their money?

(a) This small minority invested a great amount of capital income in securities.

(b) The demand for securities became so great that they were issued in enormous quantities.

(c) The money so spent bought a vast amount of productive machinery, increased plant productivity efficiency. Production was thus stimulated while men were laid off.

(d) Excess amount of capital was sent abroad and helped to stimulate the production of goods for export.

(e) Not only goods to be consumed, but more permanent goods, many of which were designed to be used in still more production.

(f) Great companies accumulated large surpluses and reserves, which they either invested directly in new productive facilities or used to buy the securities of the companies which thus had larger funds to invest; for example, the Dupont Co. holds an enormous amount of stock of General Motors. The Sun Life Insurance Company is the largest holder of American Tel. and Tel. stock.

(g) Liberal extensions of the installment credit were inaugurated which enticed the farmers, wage earners and small salaried earners to increase their purchases somewhat more rapidly than their cash incomes grew.

(h) All this created an expansion of speculative credit. It became easy to borrow money to buy stocks.

(i) A vast number mortgaged the future by living on paper profits. Finally, our whole economic structure became top heavy, as the purchasing power in the hands of the great bulk of the population: laborers, farmers, small salaried men, was not increasing at all.

Alfred E. Smith has written: "all sorts of people have been racking their brains as to what is wrong with the economic order. There is a natural feeling that these periodic depressions are a challenge to our entire civilization, and that they should not be allowed to happen again. It does not seem to occur to the average man that at the bottom, however, human nature is responsible for the world's economic miseries; and that it is only by raising the general level of human character throughout the world that a new society, free from war, brutality, arrogance, selfishness, waste and human misery, which are the real causes of all economic depressions, can be brought about. Viewed from this angle

the job is one for the philosopher, priest and doctor rather than for the statesman, lawyer or business executive."¹

Hard times are here because our capital equipment is comparatively idle. There is no market for goods and services. Why is there no market? Because there is already too much unconsumed goods lying around, and the distributing channels are clogged. Why is there so much useable material remaining unconsumed -- don't people want it? Of course they want it, everyone wants more of everything, but it was not thought necessary to distribute the means of purchasing these commodities at the time they were created.

President William Green of the American Federation of Labor, in addressing the students of the University of Michigan in 1928, expressed the following view.

"The nation cannot destroy the purchasing power through the creation of an army of unemployed and expect to maintain increased commodity production. The buying power of the people must be placed at a high level through an economic condition which provides steady employment and high wages. This is the only way through which a balance between production and consuming power can be maintained."

As production increased, it became apparent that consumption must keep pace with production, and that, unless the consuming public had the funds with which to purchase, mass production could not long continue. It is not a long step from this to the realization that a general diffusion of high wages and earnings was a necessary corollary of our industrial philosophy.

1. Alfred E. Smith - Article, New Outlokk, July 1933, p. 9

INCOME BY TYPE OF PAYMENT IN THE U.S.

- ALL INDUSTRIES -

ITEM	Absolute numbers millions of dollars				Percentage of 1929			
	1929	1930	1931	1932	1929	1930	1931	1932
1. Salaries *(selected industries)	5,702	5,661	4,738	3,383	100	99.3	83.1	59.3
2. Wages *(same as 1.)	17,179	14,210	10,542	6,840	100	82.7	61.4	39.8
3. Salaries or Wages (all other indus.)	29,052	27,794	24,622	20,302	100	95.7	84.8	69.9
4. Total labor income	52,793	48,582	40,896	31,533	100	92.0	77.5	59.7
5. Dividends	5,964	5,795	4,313	2,588	100	97.2	72.3	43.4
6. Interest	5,677	5,815	5,649	5,491	100	102.4	99.5	96.7
7. Total prop- erty income	12,206	12,226	10,498	8,472	100	100.2	86.0	69.4
8. Net rents & royalties	4,116	3,475	2,752	1,865	100	84.4	66.9	45.3
9. Entrepren- eurial with- drawals	12,020	11,127	9,102	7,024	100	92.6	75.7	58.4
10. Total en- trepreneu- rial income	16,136	14,602	11,853	8,890	100	90.5	73.5	55.1
11. Total in- come paid out	81,136	75,410	63,247	48,894	100	92.9	78.0	60.3

* Includes mining manufacturing, construction, steam railroads, pull-man railway express and water transportation.

Total labor income declined (1929-1932 inclusively) by 40%. Total entrepreneurial income by 45%; but property incomes held up better in comparison, the decline being only 31%.

These figures were taken from "National Income", p. 14, U.S. 73 Congress, 2nd Session, Senate document No. 124. Division of Econ. Research, compiled by Bureau of Foreign and Domestic Commerce.

INDEX BY TYPE OF FURNACE IN THE U.S.

- ALL INFORMATION -

TYPE	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	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CONSUMPTION

Great numbers of people have spent all that their pay-envelopes have afforded, and then have gone into debt to the tradesmen and the Installment Finance Co., hoping to make more in the future by speculating in the stock market, or winning advancement in their jobs, or relying on the "high wage policy" of industry.

It appears that consumers' democracy does not work any better than political democracy. In both cases, the real choices have been made and the real power exercised by the few professionals whose business it is to make profit or retain position by exploiting the public, but the nature of these choices and powers themselves is determined for those who exercise them, not by any original or valid impulses they may have, but by unintelligent, unplanned and haphazard mass pressure. This condition affects all classes of society: the artist, the poet, the engineer, the architect, and the manufacturer himself. In this process many sincere producers often give way to the worst, in the supposed interest of the consumers who themselves have little opportunity to manage or to control the commercial realm in the interest of their own deepest satisfactions.

The division of research of Harvard University Graduate School of Business Administration has recently issued a report on the behavior of consumption during the depression. The disclosures are not only astounding, but have been offered as an aid in the determination of profitable and proper remedial policies.

"Contrary to ideas widely held, including that of the Washington administration, the consumption of food, clothing and

These members of people have agents all their lives. They have been elected, and now have come into being to see the law and the established system of, hoping to take part in the future by participating in the stock market, or otherwise advancement in their life, or taking on the "right way" policy of industry.

It appears that regardless of industry does not wait any but for their political democracy. In both cases, the real reason has been seen and the real power exercised by the two professions. It is when business is to take profit or retain position by exploiting the quality, but the nature of these qualities and power themselves is determined for those who exercise them, not by any original or valid rights they may have, but by artificiality, assigned and possessed with property. This condition affects all classes of society: the artist, the poet, the engineer, the architect, and the manufacturer himself. In this process any kind of products often give way to the worst, in the supposed interest of the consumers and themselves have little opportunity to stand or to uphold the essential truth in the interest of truth and development.

The division of research at Harvard University, the loss of the business administration and the loss of the power of administration during the war have shown the power of administration and the power of the business and not only research, but also have shown the power of the administration of research and the power of the business. "Contrary to laws which exist, including that of the law of administration, the conception of food, pleasure and

household furnishings and miscellaneous merchandise by the mass of the people has not suffered, on a purely quantitative basis, any sharp falling off since 1929, according to the Harvard report. The decline in the physical consumption of consumers' goods, this report discloses, has not exceeded 10% from that of the 1928-1929 levels.

Now the fact that this country has passed through an extremely severe depression, without a drop in consumption exceeding 10%, the report concludes, seems to give conclusive evidence of the inheritant stability of consumption; and leads to the sound conclusion that if consumption has not fallen off during the depression, taking the country as a whole, then no great consumers' shortage has been brought up. If this is true, and there is considerable evidence, then apparently, we should not expect the consumers' goods industries to furnish the spring board from which we shall jump back to prosperity, but should give our attention chiefly to the stimulation of those industries which are engaged in manufacture of capital goods or producers' goods."¹

The vast majority of consumers are, of course, standing nowhere near a comparatively substantial position. To begin with, barely 22% of the total consumers are property owners and approximately 80% of the entire population are living today upon incomes below \$3,000. a year. What is even more significant, they are supporting almost 70% of the entire dependent population.

In this connection, it may prove enlightening to review comparisons of living standards as distributed among the total population, and the changes that have occurred since 1929.

1. Robert R. Doane - Article, New Outlook, November 1933, p. 18

LIVING STANDARD CLASSIFICATION OF THE
TOTAL POPULATION

	1929	1932
Liberal, \$25,000. a year & over	.48	.07
Well-to-do, \$5,000-\$25,000.	2.97	1.07
Moderate, \$3,000-\$5,000.	6.17	2.14
Comfortable, \$2,000-\$3,000.	13.41	8.19
Minimum comfort, \$1,500-\$2,000.	15.82	12.81
Minimum health, \$1,000-\$1,500.	18.80	16.42
Bare subsistence, \$600-\$1,000.	22.35	25.39
Poverty level, \$600. and under	18.25	22.44
Public charges	1.20	11.43

The above report has been computed from reports in Statistics of Income from the U.S. Bureau of Census figures. It presents a striking commutary upon the distribution of wealth and income of the people who make up the population of the wealthiest nation in the world. Here, the full plight of the consumer is bared to view. In the year 1929, the greatest year of prosperity of our times, more than 40% of the population were then living either at or below the bare subsistence level; while the year 1932 witnessed fully three-fourths of the great American population living at or below the minimum standard health and efficiency level.

Unemployment is unnecessary. Poverty is unnecessary. America possesses enough industrial knowledge to abolish poverty, unemployment and all deep-rooted industrial troubles, if that knowledge were organized. All we need is industrial statesmanship to supply the necessary technique to human aims. If business

men discover what the fundamental laws of business are, and conduct American business strictly according to those laws, conditions will be as good as they possibly can be for everybody. These laws cannot be made, they must be discovered. Industry seems to be one big shop with 100 departments, each running on its own schedule, and depending upon rumors that leak out here and there, as to what all the other departments may need or are going to do. What is wanted is some means of discovering the need of the whole shop and registering that discovery.

If they do get together, with something of the same spirit in which they got together in 1918, we are sure that they can find a way to abolish unemployment. They can find a way to make American business more efficient than it has ever been before, to double wages, to shorten the working day, to reduce crime and to usher in an era of all-round prosperity and peace.

PART V

THE WAY OUT

The writer of this thesis in suggesting measures for a way out of the stagnant pool of economic despondency, is deeply mindful of the dangers which confront us along unexplored trails. In the light of history, perhaps it would be better to allow events to run their course without resorting to various "jabs in the arm" which may act temporarily as artificial stimuli. No doubt we are living, at present, under unnatural conditions, and certainly there must be at work distinct, unseen, healing forces which in the long run would set our house in order.

Hard times, like all human ailments, are apparently more easily prevented than cured. Yet, after three years of psychological remedies, unfulfilled prophecies, and vacillating attempts to reshape our industrial and financial edifice, the country called for action, went through a revolution with ballots instead of bullets and elected a leader who promised experimentation and exploration. Having embarked upon a policy of action, the President and his advisers, in a truly American way, have forsaken many precedents and theories of the past, and have launched their famous "New Deal". This New Deal, in brief, involves leadership, planning and propaganda. Its basic purposes are industrial and social reform within the limits of the American system of government. At present, it is considered an emergency measure embodying government leadership and supervision over the entire business structure of the country. Modern business in this country has been run in a sort of hit

THE NEW WORLD

The effect of this change in the political situation was a new
 out of the situation of the American people, the change was
 of the change which occurred in the American people, in
 the light of history, perhaps it would be better to allow people
 to run their country without resorting to various "labels" and
 which are not necessarily a political label. In order to be
 living, it is necessary, under natural conditions, in certain
 there must be an open market, unobstructed, leading to the world in
 and from the world and the world in order.

Next, the new world, the American situation, and especially more
 easily presented than before. Yet, after thirty years of political
 and economic, and political progress, and scientific progress to
 create our industrial and financial system, the country called
 for action, went through a revolution with policies instead of poli-
 tics and elected a leader who promised expansion and action
 action. Having expected only a policy of action, the President and
 his advisers, in a fairly American way, have taken a very different
 course and therefore, at the end, and have launched their "New
 Deal". This new deal, in order, involves leadership, planning and
 progress. The basic purpose of industrial and social reform
 within the line of the American system of government. As progress
 it is considered an emergency measure involving government action
 with and cooperation over the entire business structure of the coun-
 try. Political business in this country has been run in a very different

and miss manner. It was something intangible, unwieldy and unmanageable in the opinion of the "new dealers" who deemed it necessary to set up a new Government function - a sort of bureaucracy, whose aim it is to make business a new, vital, collective and controlled mechanism, centralized and regimented in order to make rapid adjustments which are necessary under modern conditions.

According to Dr. Gardiner C. Means, there are three routes open to the New Deal:

(1) "It can turn defeatist, declaring the economic system is not subject to orderly planning, and revert to the already discredited regime provided by the competitive market.

(2) It can advance to a form of rigid government control not too distant from the regimentation of the Soviets.

(3) It can adopt an intermediary system, wherein groups, representing all the interests in the mosaic of American economy gather and bargain."¹

Supporters of the New Deal must always realize that the principle of free enterprise has given this country all its cherished institutions, its proud place in the family of nations, and a modest share of material comforts and well being. However, so dynamic is the present epoch, so plastic and swirling its events that the humility of all students of current events is matched by those who instruct and advise them. All individuals should try to help wrench themselves out of old, accepted ways of thinking, and seek the truth about present day conditions.

This writer believes that the way out of hard times is to be found in a planned economic life. The country must have social planning

1. Gardiner C. Means - Address before the Summer Institute for Social Progress at Wellesley, Mass., Christian Science Monitor - July 9, 1934

in the use of land, and of all other economic resources, and into this must be fitted all individual activities. All must pull together, blending all our gifts and resources to find the way, or the various ways out.

Far better support is needed in economic research conducted by the best brains. Our leaders cannot see all that needs to be done now, nor will they ever be able to see all that needs to be done. Some things are clear, and they must proceed with such light as they have, and with good will. Steps will be taken, then other steps will develop which must be taken. Problems will be solved and give way to other problems which must likewise be solved. As life undergoes changes, there will always be need for research, and for plans carried out with honest purpose, and with the aid of the moral, intellectual resources of men of good will, at home and abroad.

"Time will tell which, in these times, is the best American - he who believes that the racketeering, the financial juggling, the exploitation of workers and consumers must be ended once for all, and that the continuity of industry must be definitely assured by whatever orderly political means can be found; or he who believes it more important that some few insiders should be allowed to manipulate materials, natural forces and social institutions for their own good, at the expense of all the rest. Which of these alternatives is really the regimentation about which so much has recently been heard? Which is closest to the democratic process?"¹

So very low had wages fallen in destructive price cutting years of the depression, that the low minimum wages fixed in the

1. Rex Tugwell - Quotation by H.A. Wallace, Sec. of Agriculture - "The Rules of the Game", Survey Graphic, p. 320, July 1934

In the way of land, and of all those economic resources, and into
this must be fitted all individual activities. All must work to-
gether, planning all our life and resources so that the way of
the various may be.

The better solution is needed in economic research and
by the best brains. The solution cannot be all that needs to be
done now, for with that we have to live and that needs to be
done. Some things are done, and they must proceed with such light
as they have, and with such skill. There will be more, from other
sources will be needed which must be done. Progress will be helped
and also by the research which must be done. The
the individual changes, there will always be needed research, and
the plans needed of the human power, and with that and of the
world. Individual resources of man at once will, and so
ended.

"Time will tell which, in these things, is the best solution
- he who believes that the solution is the same as the
the solution of workers and consumers must be made once the
all, and that the planning of industry must be carefully planned
by workers and consumers. It is not so simple; for the workers
are more important than the consumers, and the workers must be
helped to plan, and the workers must be helped to plan. The
and good, and the progress of all the world. This is the
right to plan the organization of the world and the world
does not need to be changed to the workers' plan."

So very low has wages fallen in Germany, the
state of the economy, that the workers must live in the

codes under the National Recovery Act raised the wage earners in some fields to comparative affluence. Textile workers, shirt-makers, garment workers, whose pre-depression wage was about \$10. to \$20. a week had fallen to as low as \$2. to \$3. a week. The codes shot the wages up to \$13. to \$14. a week. This was a real increase in purchasing power. Employment and pay-rolls for six months after the codes were adopted continued their rise, the first real movement of that nature along a broad foundation in four years. With partial recovery have come voices from the direction of industrial men, murmuring that international recovery was well under way when the N.R.A. was adopted. Here and there, a whisper was heard with the old refrain of "keep government out of business". Manufacturing began to attack the National Labor Board's methods of operations, although in a short time, the board had settled over 100 trade disputes and returned 250,000 men to work.

The problem of life in a mass production age is a problem of mass distribution. Goods must be destroyed, that is, used up as rapidly as they are produced. They must be produced rapidly and cheaply and sold quickly. When an under proportion of the fruits of industry is diverted to further production of goods instead of into purchasing power, stocks pile up and are unconsumed, and in the end recovery is hindered. Then, the accumulated stocks are destroyed, but this time in an uneconomical way; every tenth row of cotton may be plowed under; fruit may be left to rot in the orchards, for lack of purchasers; young pigs may be slaughtered and put to no use (not even as food for starving people within few miles distant from the farms where the pigs were raised). Now, laborers may feel that under the N.R.A., production may be curtailed

while prices may be fixed. Labor as consumer may, under the old economic laws, be out of the picture, unless the strong hand of the government intervenes to prevent them from being reconsidered as a mere commodity.

Now, it seems that the government has embarked upon supervision of industry and labor. The latter will undoubtedly stress the need for future economic planning.

Now, let us assume that recovery in a modest way has slowly begun to emerge on the dismal horizon. If this is true, then there is a possibility that the enormously efficient productivity equipment can easily turn out an avalanche of goods which the present feeble purchasing power will find it impossible to consume. Therefore, in order to prevent a slip-back into the morass, leaders in political and industrial life must set up a national planning board, non-partisan in nature, which should recommend the following measures:

(1) Wages and farm incomes must be increased as the ability to produce what is meant to be bought with these incomes increases.

(2) Investment of new capital in productive facilities must be adjusted to the purchasing power, which is going to be able to absorb the products of those facilities.

(3) Expansion of credit to individuals or big concerns must be related to reasonable expectations in regard to use in actual consumption or production.

(4) In particular, a liberal extension of credit for financing the construction of homes for the virile portion of our population, thus opening up avenues of new business prospects.

(5) Construction of Public Works by means of Federal Government loan expenditures - a considerable expense to the taxpayer; but a program of this nature would really be setting up a form of durable wealth and is much better than allowing men to be idle or living on a dole. Elimination of all slums and substitution of adequate homes should be included in the program and rehabilitation of the physical condition of the railroads.

(6) A vital, functioning employment bureau with headquarters in the Labor Department at Washington. This bureau should keep in constant touch and cooperate loyally with branches in every state. It should always be on the look-out for employment opportunities, recommend proper divisions of labor for the future, and do intensive research with a view of keeping to a minimum, seasonable and readjustment unemployment.

(7) Maintenance of cheap and abundant credit by: (a) reduction of long-term rate of interest on government bonds; (b) replacement by the Federal Reserve System of short-dated Treasury issues by purchasing long-dated issues in exchange.

WAGES

Wages are low in some industries because, in these industries in question, there do not exist organized and well laid labor organizations independent of management, to standardize the rates paid throughout the industry and push them up to the highest point which the industry can afford. Even a well disposed employer is not likely to pay substantially more than is paid by competitors. Competition in holding wages down must be eliminated, and

it can be eliminated by labor organization and collective bargaining.

The utmost that could be done by collective bargaining alone, however, would not remove important obstacles to the increase of wages. In almost every industry there are some establishments which could afford to pay more than other establishments. The general level of wages in the industry cannot be raised above what those establishment, having the higher costs, can afford to pay. An important job would be to study the relative costs of various establishments and see what could be done to lower the costs of the less efficient.

Then, there should be drastic reorganization of industries which pay marginal low wages, such as textile and bituminous coal industries, to eliminate cut-throat competition, and employ efficient practices.

It must be admitted that some very careful research work is required before we can know what is possible and what is impossible in regard to wages. For example, many economists believe that, although higher wages will increase consumption, yet on the other hand, with higher wages, a great many will lose their jobs. At one dollar a day, many are employed who could not find work at two dollars a day. At two dollars a day, there is employment of labor which is likewise impossible with wages at some higher figure, say five dollars a day. A period of depression means a period of low profits and industry therefore must be run at lower costs including the cost of labor. The American Federation of Labor, of course, emphasized that a rise in wages will soon defeat the hard times by increasing consumption. This would sound feasible

to the writer, if the so-called bottom of the depression has been reached, and providing prices could be raised in parallel. Labor men may quote the depression of 1921, as an example of high wages working materially in improving conditions. That period cannot be compared with present troubles. At that time, there was an enormous internal market ready to absorb a shortage of commodities of all descriptions, and prices were at a relatively high level. This depression may be termed a major depression, having conditions unprecedented in nature, to say the least. There seems to be a poverty of abundance with a profusion of commodities lacking an adequate market and machinery of distribution.

AGRICULTURE

Agriculture will doubtlessly be one of the problems of the future. At present, it can be only suggested that a more comprehensive study of market conditions and the drawing up of production schedules is vitally necessary.

"In 1929, there were 6 million farmers in the United States, who produced agricultural goods worth about 11 billion dollars. Of this amount, products to the value of \$1,340,000,000. were consumed on the farms, leaving \$9,600,000,000. as the value of those for commercial use. A little more than 50 percent of the farmers of the United States produced almost 90 percent of the value of these commercial crops. During the ten years (1919-1928), the country exported 13.6 percent of its agricultural products annually, by value. If we were compelled, therefore, to relinquish all hope of the recapturing of foreign markets, and if we could eliminate one

as the writer, if the so-called bottom of the depression has been reached, and growing prices could be raised in general. Later on my note and suggestion of 1951, as an example of high prices and high quality in growing conditions. That year's season was reported with almost the same. It was also, there was a serious internal market which had a shortage of supplies of all materials, and prices were at a relatively high level. The depression had in fact a major depression, but the situation was not as bad as it seemed. There were no signs of a recovery of any kind with a possibility of a continuation of the depression in the future. The situation of the economy was not as bad as it seemed.

AGRICULTURE

Agriculture will definitely be one of the problems of the future. At present, it has been only suggested that a more extensive study of various conditions and the situation of the country is needed. It is really necessary. In 1952, there were 5 million farms in the United States, and produced agricultural goods worth about 11 billion dollars. This amount, however, is the value of 11,500,000,000, which was estimated on the basis of 1950, 1951, 1952, and the value of 1953 for agricultural use. A little more than 50 percent of the value of the United States produced goods since 1950 is the value of 1953. The agricultural crops, during the two years (1951-1952), the country exported 1.5 percent of the agricultural products annually, or 1.5 percent of the value of the agricultural products. It is not surprising, therefore, to find that all kinds of the production of foreign markets, and as we know, this is one

half of the farmers of the United States, and still feed and clothe the American people adequately."¹

A more optimistic picture is painted by H.A. Wallace, Sec. of Agriculture: "During the present year, largely because the 1933 wheat crop was only 527 million bushels, the smallest in 40 years, and 300 million bushels, below average, and partly because of speculation and the President's monetary program - the price of wheat at Chicago has been 15 to 20 cents above Liverpool.

The prospect of this small crop during the first quarter of 1933, strengthened our prices in relation to Liverpool, and during the second week of April, when the small crop became a certainty, our prices bounced up above Liverpool prices, and have kept that unusual relation ever since.

Human beings in the United States consume about 500 million bushels of wheat a year, about 75 million are used for seed on present acreage levels, and about 50 million are normally used as feed. In other words, our normal domestic consumption is around 655 million bushels."²

UNEMPLOYMENT INSURANCE

Pending the time it would take for a general scheme of industrial coordination and stabilization to develop, and during the period of trial, experienced in the evolution of a program, immediate measures must be taken to protect wage earners against the evils of unemployment. The only practical concrete plan which should be permanent is the acceptance of a satisfactory, liberal policy of unemployment insurance. Long experience abroad has

1. L.M. Hacker - "Plowing the Farmer Under", Harpers Monthly,
 2. H.A. Wallace - "The Rules of the Game", / June 1934, p. 66
 Survey Graphic, July 1934, p. 320

demonstrated the soundness of such a procedure, and it should be generally accepted in American industries.

This plan should contain humanitarian considerations. This policy which leans toward extended social service, should be accepted by all political parties in greater or less degree.

It should be described as seeking not only more prevention or relief of extreme poverty, but as actually aiming at narrowing the economic gulf between the rich and the poor. Redistribution of income would result and would succeed in mitigating the worst forms of poverty.

EDUCATION

There is a widespread conviction that education can be improved through the use of critical and experimental methods. The ordinary curriculum, though it already contains a considerable amount of new material derived from modern activities, still retains much that is of doubtful value. The aim is to construct a fundamental curriculum which will be representative of the important activities, interests, and possibilities of modern life. The schools of the future, no doubt, will pay far more attention to individuals than the schools of the past. The new education will be scientific in that it will rest upon a fact basis. When social education along lines now being attempted in many schools, has become general and effective, many of the present problems of government and industry will have been solved. Also, when the schools lead society instead of following, the solution of many social problems of the day may be worked out in the class room.

A highly important sign of the times is the increasing emphasis on adult education. The tremendous and steadily increasing extensions of human knowledge have made a continuous education along certain elemental lines necessary for even the day laborer or factory hand. Industry itself, these days, maintains schools and expends large sums in the continued education of both its managerial staff and its labor. Hundreds of commercial schools and enterprises minister to adults, while the increasing use of libraries and museums, the development of special columns in the press and magazines, and conventions of specialists to discuss the vital problems of their craft, all tell the same story of increasing appreciation of education, by adults.

In the past, progress has been along a winding path, a constant compromise between the desirable and the immediately expedient. Progress has been made, great progress, greater even than one realizes, but the future calls for still more strenuous efforts, for greater advances, for more direct progress since the goals are more clearly seen.

A single important part of the picture is the increasing
emphasis on adult education. The Government has already in-
creasing expenditure of some knowledge have to a considerable
extension along certain elements of the necessary for even the
day labour of factory work. In the last few years, the
same money and efforts have been put into the national education
at such the universities and the school. Knowledge of science
and technology and engineering is essential, while the in-
creasing use of electricity and wireless, the development of aviation
science in the world is essential, and opportunities of specialization
to discuss the vital part of the world, all will be given
state of increasing expenditure of knowledge by adults.
In the past, progress has been along a single line, and
about 1900-1910 the Government and the Government of England
and France have been more, more progress, progress even more
realized, but the future calls for still more expenditure, efforts
for greater education, for more adult progress, while the world has
more clearly seen.

COMPREHENSIVE SUMMARY

PART I

HISTORIC BACKGROUND OF THE WAGE EARNER

The transition of slavery into the Handicraft and Domestic systems was a natural course of events, and was due to inefficient productivity. As trade developed, a great demand for goods and services became apparent. As a necessity of the mother of invention, the introduction of machinery and the harnessing of new forms of energy, practical application of scientific knowledge and improved technique in the tools of production, brought about the Industrial Revolution which forced old methods of production into obscurity.

Definition of Wages

Opinions of Adam Smith and John Stuart Mill; the iron law of wages. Labor regarded as a real instrument of production; rise of wages behind the cost of living in the 16th and 17th centuries was very laggard.

Productivity of Labor Theory

Labor should receive in wages all that remains of the total product, after the other parties to production have received their share -- the shares constituting rent, interest and products.

CONSTITUTIONAL BASIS

PART I

THEORY OF THE LABOR MARKET

The transition of slavery into the capitalist and bourgeois system was a natural course of events, and was due to industrial productivity. As wages increased, a market formed for goods and services beyond subsistence. As a necessity of the system of division of labor, the introduction of machinery and the increasing of the force of energy, increased exploitation of scientific knowledge and industrial technology in the scale of production, changed the industrial revolution which fostered the process of exploitation into slavery.

Definition of Wages

Opinions of Adam Smith and John Stuart Mill: The first law of wages. Labor expended as a cost factor in the production of goods. The cost of wages being the cost of living in the form of the necessities and luxuries.

Productivity of Labor Power

Labor would receive its wages and that surplus of the total product, after the cost of production has been covered, their share -- the share constituting profit, interest and dividends.

Wage Fund Theory

Wages depended upon the amount of capital available. This amount when divided by the number of available laborers should fix the rate of wages. The only way wages could be raised was by the accumulation of capital as compared to population. Objections to the wage fund theory. Opinion of Henry George. Law of supply and demand in regard to wage rates, a fallacy.

Marginal Productivity Theory

How the capitalist gains on the laborer. Cost of marginal product determines the general wage.

PART II

TRADE UNIONS IN THE U.S.

Justification of trade unions. Aggressive policies of trade unions to debar non-union members and to raise wages.

How They Can Raise Wages

Discussion of the rise in wages, through the influence of the trade unions, at the expense of the consumer and industrial profits and an elaborate general rise in wages could only be brought about by inducing employers to cut down cost of production and improving plant equipment so as to facilitate greater production. Necessity of employment in craftsmanship on the part of the unskilled laborers.

Closed Shop Policy

Discussion of the rights of employees and employers in opposing or condoning the use of laborers who do not belong to unions. Opinion of Richard T. Ely.

Are Strikes Justified?

Strikes have doubtless been responsible for many of the gains of labor. Tendency of labor leaders today is to rely on controversy and arbitration.

Educational and Social Services of Trade Unions

Labor unions sponsor and encourage the getting together of their members for the purpose of augmenting their social worth.

STANDARDS OF LIVING

Operation of the Malthusian principle. Standards of living as an argument put forth by labor leaders in collective bargaining.

Needs of Better Housing

Revelations of the real conditions of shelter of the great mass of the people; benefits of this new source of demand on employment.

IMMIGRATION

Unrestricted immigration forces the wages of unskilled laborers to low levels. Effect of immigration on the standards of living Benefits of admitting brains and not brawn.

Classical and Social Sciences of Trade Unions

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 The classical and social sciences of trade unions
 are concerned with the study of the history and development of trade unions
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PART III

DISTRIBUTION OF WEALTH

The truth of the real distribution as shown by statistics. Poverty still exists despite the increase in material comforts.

Need of Social Justice

Investigation of social and charitable workers. Labor as the creator of capital.

LABOR'S NEW STATUS

So-called Law of Supply and Demand

Abandonment of the idea that the theory of the law of supply and demand is a fixation for the rate of wages. The only effective way for labor to defy the law of supply and demand lies in organization.

Theory of Increased Productivity Efficiency

Methods of the government to keep the rate of wages abreast with the cost of living during the war. Publicity given to the new theory of increased productivity efficiency. Attempts to prevent the lowering of wages during the depression of 1921. Adoption of the new theory of wages by industry added to inaugurate an extended period of prosperity. Scrapping of obsolete methods of production and the introduction of new machinery or mass production. Necessity placed on the need for shorter hours and more shifts of laborers. Warning issued that production and consumption should be stabilized.

THE THEORY OF THE FIRM

The firm is the basic unit of production. It is a legal entity which can own property, enter into contracts, and sue or be sued.

THE FIRM AS A LEGAL ENTITY

The firm is a legal entity which can own property, enter into contracts, and sue or be sued. It is a legal entity which can own property, enter into contracts, and sue or be sued.

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Labor's Debt to Social Workers

Budgetary reports disclosed that despite widely heralded prosperity, the great masses of the people on the average were earning merely enough for minimum subsistence.

The Economy of High Wages

Clash of opinion between the leading industrialists who demanded wage cuts in 1921 and labor leaders who propounded the theory that wages must still be higher in order to guarantee permanent prosperity. (Widespread publicity given to the economy of high wages.)

PART IV

GREAT DEPRESSION AND UNEMPLOYMENT

Regime of post-war prosperity. Figures showing that production and profits far outreached wages and consumption of goods over a protracted period of time. Downfall in character level of the American people in the prosperous twenties.

Consumption

American people exploited by high-pressure salesmanship and advertising campaigns. Report of the Harvard University Graduate School of Business Administration. Statistics showing disproportionate incomes of the people. Modern business had been run on a hit and miss basis.

Part IV: Social Justice

The primary purpose of this section is to provide a comprehensive overview of the social justice issues that are currently facing the world. This section will explore the various forms of social inequality, including economic, racial, and gender inequality, and will discuss the impact of these inequalities on the lives of individuals and communities. It will also examine the role of government and civil society in addressing these issues and promoting social justice.

The History of Social Justice

The history of social justice is a long and complex one, spanning centuries and continents. It is a story of struggle and resistance, of people fighting for their rights and for a more just and equitable world. This section will explore the historical roots of social justice, from the early movements for abolition and women's rights to the more recent movements for civil rights and social justice. It will also discuss the role of social justice in the development of modern societies and the challenges that remain.

Part IV

Social Justice and the Future

As we look to the future, it is clear that social justice remains a central issue for our time. The challenges we face are complex and multifaceted, but they are not insurmountable. By working together, we can create a more just and equitable world for all. This section will explore the role of social justice in the future and the steps that we can take to achieve it.

Conclusion

In conclusion, social justice is a fundamental human right and a cornerstone of a just and equitable society. It is a goal that we should all strive to achieve, and it is a goal that we can achieve if we work together. This section will summarize the key points of the report and provide a call to action for all who are committed to social justice.

PART V

THE WAY OUT

Danger in transition from system of free enterprise to planning; stabilized prosperity. Agricultural problem. Unemployment insurance. Education.

THE WAY OUT

Chapter in connection with the study of the question of
elementary education in the United States. The study is
concerned with the question of the elementary school.

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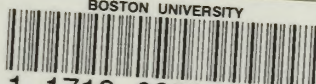
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